THE PLANNING PROCESS

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Introductory Note

This paper attempts briefly to describe the approach and methods which have come to be developed in India over the past decade or more. The need for such a document has been felt for some time by students of planning in India and elsewhere.

This paper was initially compiled by Shri Tarlok Singh, Member, Planning Commission, as member of an Expert Group set up by the United Nations to prepare a study summarising the experience gained and the techniques in use in the planning of economic development by different countries. Members of the Group, who were drawn from ten different countries, prepared reports on the basis of an agreed outline on the methods and techniques which had been evolved in their respective countries. The Report of the Group on Planning for Economic Development was presented by the Secretary-General to the eighteenth session of the General Assembly in October 1963. Studies of national planning experience prepared by members of the Group as well as studies of other countries prepared at the request of the United Nations are also being published as Volume II of the Group’s Report.

In preparing this study, Shri Tarlok Singh had the advantage of receiving suggestions on an earlier draft from several colleagues in the Planning Commission, the Central Ministries and the Reserve Bank of India.

The Planning Commission is arranging to publish this paper as it brings together essential information concerning the manner in which India’s Five Year Plans have been formulated and implemented. The paper also suggests the directions in which the existing techniques and concepts need to be improved through more systematic analysis of economic, statistical and technical data. The Planning Commission hopes to take these and other suggestions into consideration in the preparation of the Fourth Five Year Plan, on which preliminary work has already commenced.

October, 1963.
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I

THE ROLE OF PLANNING IN THE
INDIAN ECONOMY

India’s Five Year Plans

India has completed twelve years of planned development. These include five years of the First Plan (April 1951—March 1956), five years of the Second Plan (April 1956—March 1961) and the first two years of the Third Plan (April 1961—March 1966). These Plans form a continuing series, both in terms of investments and in benefits. They also present a picture of continuity and evolution in basic economic and social policies. Inevitably, there are important adaptations from one phase to another, reflecting both changing conditions and problems and the results of fresh experience and evaluation.

2. Each Five Year Plan is conceived against a longer perspective. The First Plan was set against a simple projection of economic growth over a period of thirty years from 1951 to 1981. The Second Plan was worked out in relation to a perspective up to 1976. The Third Plan has been drawn up and is being implemented explicitly as the first phase of a fifteen-year plan for the period 1961—76. Preliminary work on the formulation of a long-term plan for this period is in hand. This should greatly facilitate the task of filling in the details of the Fourth Plan (April 1966—March 1971).

Historical Background

3. During the long period of India’s struggle for freedom, there was deep and growing concern with the problems of mass poverty, protection of the farmer and the artisan, the need for industrialisation and, generally, with the re-construction of the entire fabric of social and economic life. A long line of national leaders looked upon political freedom primarily as the means to solve these fundamental problems. As the national movement grew and spread among the people, its social content became deeper. To Mahatma Gandhi, freedom was not merely a political objective but the very condition for raising of the masses of the people from poverty and stagnation. The social and economic aims of the
struggle for freedom came to be more precisely defined during the thirties. The setting up by the Indian National Congress of a National Planning Committee towards the end of 1938—nine years before Independence—indicated both the important place held by social and economic objectives and the influence which the Soviet Five Year Plans had begun to exert in other lands.

4. The work of the National Planning Committee remained unfinished because of the outbreak of the Second World War. While the War was still in progress, in 1944, the then Government of India reacted to the support which the idea of planning was now receiving from industry as well as other sections of opinion and established a Planning and Development Department. This Department stimulated the preparation of post-war reconstruction plans by Departments of the Central Government, as well as by the Provinces and the larger princely States. A number of these Provinces and States had built up financial reserves during the war years from which they could finance development plans. At this stage, the plans were essentially collections of schemes and projects which were considered worthwhile, and many of them were not worked out in detail. However, the beginnings of a number of important projects executed during the First Plan are to be traced to intensive activity undertaken during this period. In the year preceding the attainment of Independence (August 15, 1947) an Advisory Planning Board set up by the Government of India attempted to bring together the available material and recommended the establishment of a National Planning Commission. The new Constitution of India, drawn up by the Constituent Assembly, came into force in January, 1950. The following month, the Government decided upon and announced the setting up of the Planning Commission.

5. The objectives of India's planning and its social premises derive from "the Directive Principles of State Policy" set forth in the Constitution. Among these 'Directive Principles' were that

"The State shall strive to promote the welfare of the people securing and protecting, as effectively as it may, a social order in which justice, social economic and political, shall inform all the institutions of national life."
Further that—

"The State shall, in particular, direct its policy towards securing—

(a) that the citizens, men and women equally, have the right to an adequate means of livelihood;

(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;

(c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."

6. Against the background of these Directive Principles, the functions assigned to the Planning Commission were to—

"(1) make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;

(2) formulate a Plan for the most effective and balanced utilisation of the country's resources;

(3) on a determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage;

(4) indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;

(5) determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;"
appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and

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

7. Since 1950, each Plan has marked an important phase in India’s economic history. The beginning and the end of a Five Year Plan are regarded as vital dates in the national life, each Plan being at once an appraisal of the past, a guide map for action in the future and a reformulation of basic national policies in the light of experience and the new problems facing the country. Events now move faster than a few years ago, and adjustments over shorter periods have gained in importance.

Role of Planning

8. In any social system, planning is a major instrument in the service of the basic values and objectives held by the community. India has a deep attachment to the values of freedom, democracy and the welfare of the common citizen. The purpose of planning is to provide the economic sinews and the social motivations for furthering these aims. Planning encounters formidable difficulties. Many of these are economic and social in character, but political aspects are not less important.

9. In an under-developed country, poverty persists, both in those areas in which there has been considerable development in the past but the population presses heavily on the land, as well as in those areas in which the natural resources remain undeveloped, although the density of population is comparatively small. These represent two different aspects of the same problem. Invariably, the margin of domestic savings is extremely meagre.
and, once development is taken up in earnest, the shortage of foreign exchange becomes a pressing and continuing problem. Low productivity, both of labour and of equipment, characterises production in agriculture and industry as well as the various services. At every point, rigidity in the social structure and non-economic constraints come in the way of technological advance. Planning seeks ways of breaking these social limitations at many points. Thus, the planning process is intimately connected with the political process, with pressures and motivations of different groups and with conflicts of interest.

10. There is no easy way out of the difficulties that beset a relatively backward society seeking rapid economic growth. Cause and effect interact. Unless a society breaks itself free from some of the shackles of the past, overcomes internal resistances and releases new forces of change, it is unable to achieve a high rate of growth. Rapid economic expansion greatly facilitates the solution of difficult political, economic and social problems inherent in an under-developed society, helps reconcile divergences of interest and stimulates support and participation from the people. To be meaningful, a high rate of growth must be sustained steadily over a long period, for a vast chasm lies between the prevailing levels of poverty and the minimum conditions of well-being for the masses. Given such continuity, growth itself becomes self-sustaining. That is to say, dependence on foreign resources gradually disappears and the under-developed society acquires resources in skill, the infra-structure and the technical capacity to move into the future on its own strength. This brings greater stability to the developing society and opens up new possibilities of international exchange.

Conditions for planned Development

11. At Independence India comprised a number of Provinces, formerly administered directly, and several hundred princely territories, varying greatly in size and quality of administration and functioning as separate administrative units. The political integration of India was achieved in a relatively short period, sooner than any one could have dared to hope for. The wounds of Partition of the sub-continent lasted for many years, but millions of displaced persons were quickly rehabilitated. By January 1950, when the
Constitution of India was promulgated, India had become a single political unit bound by common economic and social objectives and equipped with a substantial network of administrative and technical services. These gave an effective start to planned development. The First Plan took over many projects and schemes begun or conceived earlier, and in this sense it made for continuity with the past. The Plan could not have been formulated and would not have worked in the absence of political integrity, stability and resolve. A leadership, close to the soil and in touch with the people, administrative and technical services with common bonds and strong voluntary movements within the country for social reform and political and economic change were also important, but by no means sufficient assets. On the whole, on the main routes to the ports and between the principal cities, India has satisfactory rail links, but there were large gaps in the road system and in transport facilities other than railways, including the national highways, the length of surfaced roads amounted to less than 100,000 miles and the installed generating capacity was a little over two million kilowatts. There were serious lags in education, both general and technical, and in the health services. In many parts of the country the agrarian system was marked by feudal tenures and everywhere reform of tenancy was overdue. At this stage, there was only a small industrial class, and many engaged in industry still had the outlook and background of traders. The managerial resources of the country, both in the public and in the private sectors, were comparatively small.

12. In each direction fresh paths had to be laid so that, individually and in their cumulative interaction, these various paths could meet and enlarge the total effort and pave the way for more rapid change. Each Five Year Plan in India has devoted careful attention to the political and social requisites of planning, sought fresh ways of strengthening and adapting institutions, establishing new administrative processes, methods and machinery, broadening the manpower base for development and improving the machinery for Plan implementation. Thus, the First Plan marked the beginning of Community Development and of the National Extension Service in the rural areas and established the necessary legislative basis for the licensing and plan-
ning of industry. The Second Plan made the concept of planning and development more complete and dynamic and led to a clearer and more comprehensive long-term approach to the problems of industrial and economic development. It also led to legislative and other action in different fields and provided for a wide extension of education and other services. The Third Plan has integrated the experience of the preceding decade and views present development as an integral part of the scheme of development in the future. The principal changes in approach which have marked the growth of planning as a means to political, economic and social change may be illustrated by reference to a few leading issues.

13. Centralization and decentralization of Planning.—The question of centralization and decentralization of planning has three main facets. The first concerns the political and administrative structure which is served through planning. India has a federal structure in which the powers and functions of the Central and the State Governments are defined by the Constitution. "Economic and social planning" is in the "concurrent" list, but vital areas of development, such as public health, education, land, agriculture, irrigation, electricity, local government and a wide range of activities under industries and transport fall within the State list. In practice, the Five Year Plans comprehend the entire range of development activities and cross over the lines set by the Constitution. In other words, planning in India has made possible a degree of inter-penetration of interest and concern between the Central and State Governments. In such a structure, the Centre assumes a large role in the formulation of policy and overall plans, while the States take on steadily expanding administrative and development functions. Since important development programmes have to be undertaken at the local level in towns and villages, as a consequence of planned development, the Centre's interest also extends to the institutions closest to the people, through which local resources are mobilised and local plans implemented.

14. The second aspect of the question of centralization and decentralization bears on the techniques employed in the management of the economy. As explained later, while there is a large
and growing sector in which direct planning is undertaken, a large proportion of economic activity is undertaken privately and guided through the indirect mechanisms of the market. In several areas there is of course a measure of control or regulation, but this does not detract from the general conclusion.

15. In the third place, from the aspect of the management of enterprises undertaken by the Government, it is significant that the vast majority of public enterprises are functioning as corporations and companies with their own autonomous Boards and management, and are expected to operate on a commercial basis, paying taxes to the State, building up their own resources for development and with an increasing degree of freedom in internal management, if not yet in determination of pricing and investment policies.

16. Public and Private Sectors.—In the scheme of planned development the public and private sectors are viewed as being complementary. The private sector includes not only organised industry, but also agriculture, small industry, trade and a great deal of activity in housing and construction and other fields. Over the greater part of activities comprised in the private sector, individual effort and private initiative are regarded as necessary and desirable, the aim of policy being to assist development on the basis of voluntary cooperation to the utmost extent feasible. Much of the activity undertaken by Government by way of provision of transport and power and education and social services and the establishment of basic industries supports and makes possible the spread of economic activity on the part of individuals and groups.

17. Within the area of large-scale industrial enterprise, it becomes necessary to evolve a policy for determining whether given industries should be taken up in the public sector or should be expected to develop in the private sector. An Industrial Policy Resolution was adopted by the Government of India in April 1948. Eight years later, in April 1956, the new Industrial Policy Resolution was formulated, and this continues to hold the field. According to this policy, which seeks to translate the concept of "the socialist pattern of society" into concrete terms, industries
are divided into three categories. As the Industrial Policy Resolution, 1956, explains—

"The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the State, in present circumstances, could provide, have also to be in the public sector. The State has therefore to assume direct responsibility for the future development of industries over a wider area. Nevertheless, there are limiting factors which make it necessary at this stage for the State to define the field in which it will undertake sole responsibility for further development, and to make a selection of industries in the development of which it will play a dominant role. After considering all aspects of the problem, in consultation with the Planning Commission, the Government of India have decided to classify industries into three categories, having regard to the part which the State would play in each of them. These categories will inevitably overlap to some extent and too great a rigidity might defeat the purpose in view. But the basic principles and objectives have always to be kept in view and the general directions hereafter referred to follow. It should also be remembered that it is always open to the State to undertake any type of industrial production.

18. The first category of industries are those whose future development is intended, broadly, to be the exclusive responsibility of the State, although expansion of existing privately owned units or the possibility of the State securing the cooperation of private enterprise in the establishment of new units when the national interest so requires, are also envisaged. In the second
category of industries, the State may generally take initiative in establishing new industries, but private enterprise is expected to supplement the efforts of the State. The third category includes all the remaining industries whose future development will, in general, be left to the initiative and enterprise of the private sector. Lists of industries falling within the first two categories are given in Annexure I.

19. It should be added that in practice the field of development has been vast and expanding, the public and private sectors have fulfilled complementary roles in the scheme of economic development and have presented many common problems. Thus, from one Plan to the next, both the public and the private sectors have grown, and the ability of each to supplement activities in the other has also steadily increased. In view of the economic growth already achieved and the complexity of the industrial structure, the classification of industries in the Industrial Policy Resolution has to be supplemented by closer study of the stage of development and the economic and financial implications of each course of action.

20. **Choice of Policy Instruments.**—In the development of industry, licensing of new capacities or of substantial expansions, supported by allocations of foreign exchange, licensing of imports, and control over capital issues have been the principal instruments of policy. Allocations of material resources have been limited in the main to steel and cement, but it has been necessary at times to regulate the distribution of power. Use is also made of the tax system and other fiscal devices, both for encouraging investment and for restraining consumption. To what extent interest rates and price adjustments could be employed as instruments of economic policy are questions of frequent debate but, without going into detail, it may be stated that on the whole, in the use of these instruments of economic policy, the approach has been one of caution. It is expected, however, that as planning becomes more comprehensive and its scope increases, indirect methods and controls will gain in preponderance.

21. **Public Participation and Cooperation.**—The enlistment of voluntary effort and public participation has been one
of the keystones of India's planning. As was stated in the First Plan—

"Public cooperation and public opinion constitute the principal force and sanction behind planning. A democracy working for social ends has to base itself on the willing assent of the people and not the coercive powers of the State... In the way any programme is conceived, offered and carried out, action by the agencies of the government must be inspired by an understanding of the role of the people and supported by practical steps to enlist their enthusiastic participation."

With each Plan an attempt is made to assess the elements of strength and weakness in the prevailing system of public cooperation and national development and from time to time new ways of enlarging public cooperation are tried out. Considerable encouragement is given to voluntary organisations and an attempt is made to coordinate their efforts through the National Advisory Committee for Public Cooperation. In the formulation of each Plan and in its subsequent implementation, at the local, State and national level efforts are made to enlist public cooperation and comment and criticism and constructive suggestions are sought from all quarters. As a Five Year Plan takes shape, having passed through a prolonged process of consultation and public debate, it emerges as a national consensus largely passing beyond party lines.

22. **Institutional Changes**.—An important pre-condition for development in each sector of the economy concerns policies and measures for creating an adequate institutional framework. This is a task of extreme difficulty and one calling for continuous adaptation, for which no ready-made solutions are available and there is need for considerable experimentation and evaluation of experience.

23. In agriculture there are three essential institutional steps: (a) creation of a network of extension services, (b) reform of land tenures and (c) development of cooperation in credit, marketing and other activities including, so far as may be
possible, production. Important measures in these directions were initiated in the First Five Year Plan and have been further developed in the Second and the Third Plan.

24. In the field of industry, the Industries (Development and Regulation) Act was enacted in 1951. The Act provided for licensing of new industrial undertakings and of substantial expansion of existing undertakings. It also provided for the establishment of a Central Advisory Council of Industries and for Development Councils for individual industries. There are at present 19 Development Councils covering a considerable portion of Indian industry. Development Councils are composed of persons appointed by the Government of India from amongst owners, persons with technical knowledge, workers and those representing consumer interests. Functions which may be assigned to Development Councils are extensive, as will be seen from the list given in Annexure II.

25. As State undertakings promised to develop into a major factor in the development of the Indian economy, the decision was taken that they should function on a commercial basis, as corporations or companies registered under the Indian Companies Act. In recent years, there has been growing concern with the problems of management of public enterprises. These raise important questions of policy, organisation, operational techniques and training of personnel.

26. It is fundamental to the success of development in each sector that the necessary administrative apparatus and institutions should be created at an early stage. This has been done on an intensive scale in all fields. Thus, there are Control Boards for the major irrigation and power projects with which the Central Government is associated. For promoting foreign trade and specially exports there is a wide net work of Export Promotion Councils. Small industry programmes were entrusted to a series of All India Boards comprised of officials and non-officials and dealing with different groups of industries. Many other examples could be cited. Administrative reform is also a vital aspect of institutional change and has been a major concern in all sectors since the First Plan.
27. Balanced Development.—The question of balanced development in relation to different sectors is essentially one of priorities during a given phase of development as expressed in allocations of real and financial resources. In each Plan this issue has to be determined after taking into account urgent objectives and the stage of development reached in different fields. On the whole, planning in India has been based on the premise that balanced development in different sectors is a desirable goal, even though it may for a period lead to comparatively less progress in some selected fields. The over all cumulative effect of balanced development is expected to be not only greater but also better calculated to lead to even progress and social stability.

28. Considerations governing balanced regional development have been set out at length in India's Third Plan. The Plan points out that the balanced development of different parts of the country, extension of the benefits of economic progress to the less developed regions and widespread diffusion of industry are among the major aims of planned development. Considerations of the growth of the economy as a whole, however, cannot be neglected. Means have to be found for the transfer of resources from the more rapidly developing and advanced areas to those which have for some reason remained backward. The measure in which such transfers of resources may take place and the capacity of the economy to achieve a better balance between consumption and savings increase when economic growth is both rapid and sustained. It has been emphasised that the development of particular regions should not be achieved at the cost of the economy as a whole. The aim is to develop the growth potential of each region, having regard to its special problems and possibilities and its stage of development without, however, coming in the way of the growth of the economy as a whole.

29. Population policy.—As has been pointed out in the Third Plan, the growth of population absorbs a large part of the increase in output. Improvement in conditions of health and sanitation will further lower the death rate, specially the rate of infant mortality, and may for a time even tend to raise the birth rate. The objective of stabilising the growth of population over a reasonable period has therefore a key place in the scheme of planned develop-
ment. The programme of family planning, involving intensive education, provision of facilities and advice on the largest scale possible and widespread popular effort in every rural and urban community has been given very high priority. The rapid growth of population, specially during the past decade, has led to the formulation of a broad population policy, but such aspects as proposals relating to different regions and different sections of the population, including internal migration and the influx into towns, have still to be elaborated in sufficient detail.

Principal Aims of the Plan

30. Each Five Year Plan provides for a scheme of investment and for basic policies and institutional changes which are designed to achieve certain major aims. In drawing up the Third Plan in India, the principal aims have been as follows:

(1) to secure an increase in national income of over five per cent per annum, the pattern of investment being designed also to sustain this rate of growth during subsequent Plan periods;

(2) to achieve self-sufficiency in foodgrains and increase agricultural production to meet the requirements of industry and exports;

(3) to expand basic industries like steel, chemical industries, fuel and power and establish machine-building capacity, so that the requirements of further industrialisation can be met within a period of ten years or so mainly from the country's own resources;

(4) to utilise to the fullest possible extent the manpower resources of the country and to secure a substantial expansion in employment opportunities; and

(5) to establish progressively greater equality of opportunity and to bring about reduction in disparities in income and wealth and a more even distribution of economic power.
In proposing these aims an attempt was made to take account equally of the progress of the economy over the previous decade and the objectives to be realised in the course of the next ten or fifteen years.

31. The Five Year Plans in India do not have the force of legal enactment. Legislation is undertaken in the context of the specific objects to be achieved in any field of development. A reference has been made to legislation for industries. There has been similar legislation in other fields, for instance, for establishing State Electricity Boards or for conservation of coal or for public health and town planning. In all sectors, the Plan provides important guide lines to policy, but these are not intended to be rigid. Conditions vary widely in different parts of India and there must also be much adaptation and innovation as new problems emerge and greater experience is gained. The scale of investment and allocations between different sectors are necessarily matters of judgement and decision rather than legislation. Within limits the scale of investment must also vary from year to year, but a steadily growing volume of investment is necessarily implicit in the scheme of development.

32. The Indian Plan is not comprehensive in the sense that every sector of development is planned in detail. In the main the greater part of the Plan refers to programmes of development undertaken by the Central and State Governments and by local authorities. These include a variety of measures, some involving direct enterprise and management, some in the nature of extension and promotion and others providing for training, research and other methods of raising productivity. Plans in the private sector are in the nature of estimates and forecasts undertaken in consultation with the representatives of industry, but sufficient provision is made for financial resources, including foreign exchange, and the requisite material resources to facilitate the execution of these plans. The levels of production aimed at are also in the nature of estimates, although they serve as target guides.

33. Annual plans are drawn up in the context of Five Year Plans. Work on the annual plan precedes the preparation of the annual budget. Each annual plan seeks to provide not only for
the following year but also includes investments and other preli-
minary action whose benefits are intended to accrue in later years.

34. Broad projections for a long-term plan for the period up to 1975-76 have been set out in India's Third Plan. A more detailed long-term plan has yet to be drawn up. However, in several fields studies have been undertaken and further studies are being initiated, specially in industry, power and transport and for obtaining fuller data on natural resources.

**Strategy for Long-term Economic Development**

35. As has been explained in the Third Five Year Plan, India's plans are based on a broad strategy of economic development which will ensure that the economy expands rapidly and becomes self-reliant and self-generating within the shortest possible period. In this strategy there is emphasis on interdependence between agriculture and industry, between economic and social development and between national and regional development and on the mobilisation of domestic and external resources. Considerable stress is also placed on measures for scientific and technological advance and for raising the general levels of productivity as well as on policies relating to population, employment and social change.

36. It is considered that the development of agriculture, holds the key to the rapid development of the country. In agriculture the maximum increase in production physically possible has to be secured. There is considerable scope for the intensive utilisation of manpower resources. The present crop yields are so low that with adequate irrigation, supplies of fertilizers, improved seeds and implements, education and extension, reform of land tenures and development of the rural economy along cooperative lines, large increases in levels of production can be attained. In the present stage of development, production of sufficient foodgrains as well as of cotton, oilseeds and other commercial crops is regarded as being equally urgent.

37. While agriculture and industry are regarded as closely linked parts of the same process of development, industry is assigned a leading role in securing rapid economic advance. India has large industrial resources and, therefore, a consider-
able potential for industrial growth. In particular, she has the potential for producing steel and other basic materials relatively cheaply. Her large and growing domestic market places her in a favourable position to produce machinery and a wide range of engineering and chemical and electrical goods needed for development. In turn, these are essential for stimulating the growth of medium and small industries and for expanding both urban and rural employment. Over a period, therefore, it should be possible to build up an integrated industrial structure and expand industrial production efficiently along the lines of real comparative advantage. This implies that for a period special emphasis must be placed on industries such as steel, coal, oil, electric power, machine-building and chemicals. With these developing rapidly, the requirements of further industrialisation can be met increasingly from the country's own resources.

38. At the base of the effort to build up industry and agriculture and expand transport and power are the vital programmes for the development of human resources, specially education and health, and measures for raising levels of skill and technical know-how and scientific and technological research.

39. An adequate level of domestic capital formation, the maximum effort possible in developing exports and availability of external assistance during the critical period of transition are among the pre-conditions for building up a self-reliant economy which can sustain a high rate of growth. Mobilisation of domestic savings and development of exports will involve considerable burdens for the community but, in the interest of development, for many years only a limited rise in consumption standards will be possible, specially in commodities or services which may be less essential for the bulk of the population. A basic objective is to create the conditions in which dependence on external assistance will disappear as early as possible. A very large expansion of exports is essential for this purpose. In the transitional period, however, the development effort entails a large increase in import requirements, both for specialised capital equipment and for raw materials and components, for which it will be difficult to pay from export earnings. In this situation, external assistance has an important contribution to make to the economic development of the country.
40. Against the background of the strategy outlined above, development over the next fifteen years or so is postulated in terms of a cumulative rate of growth as close as possible to 6 per cent per annum. With population increasing at over 2 per cent per annum and the labour force expected to increase by about 70 million over the period 1961—76, a rate of growth such as this is to be regarded as the very minimum for achieving a significant rise in levels of living, adequate expansion of opportunities for productive employment outside agriculture and solution of deep-rooted social problems. In the coming years, on account of the increasing and inescapable burdens of defence, the tasks of economic development, complex as they are, will become even more difficult. Inevitably, larger claims will be made on the community. Moreover, in seeking closer integration between defence and development, while there will be opportunity for stimulating growth in some directions, in others the present scheme of priorities may have to be modified, specially for the immediate future.

Possibilities and Limitations of Planning

41. For an under-developed economy planning has a manifold significance. Since resources, whether natural, material, capital or human, are severely limited, planning provides a method of rational and considered choice for securing the optimum combination of inputs. Secondly, planning helps to identify those deficiencies in the economy and the social structure which demand the largest attention from the standpoint of economic growth. Thirdly, a plan for mobilising resources is a necessary counterpart of the scheme of investment. By posing various critical problems in development and attempting to give them a quantitative dimension, planning is calculated to lead to a higher degree of capital formation than might be otherwise attainable. By drawing attention to the social prerequisites of growth, planning also paves the way for the acceptance of large institutional changes. The very processes associated with planning and the implementation of plans enlarge the scope for public participation and co-operation. Finally, as planning techniques improve and more precise statistical data become available, the inter-relationships within the national economy can be seen more clearly and
to that extent the effects of different policies and measures can be traced more systematically.

42. Experience over the past decade or more suggests that practical success in planning is often limited by a variety of factors, more specially inadequate statistical, economic and technical data, weaknesses in the social structure, lack of trained personnel, and inadequacies of management, in particular in large enterprises, both in the public and the private sector.
II

FORMULATION OF MEDIUM AND LONG-TERM PLANS

Main Governing Factors

Until recently processes connected with planning have focussed mainly on medium term plans. The period of five years was chosen for these plans from the beginning because, under the Constitution, general elections leading to the formation of Governments at the Centre and the States are held at five-yearly intervals. The First Plan commenced in 1951 and the first general elections were held in early 1952, so that each individual Five Year Plan has come to be presented during the year preceding the general elections.

2. Several of the planning procedures and the techniques which have developed in India may be traced to four main characteristics of the Indian situation.

Firstly, in view of the federal structure of the country, the State Governments have a considerable share both in planning and in implementation. The planning of agriculture, irrigation, power, education, health and social services, small industries and development of roads and road transport and minor ports falls within the scope of State plans. The Central Government is concerned with the planning of industries, railways, national highways, major ports, shipping, civil aviation and communications as well as with overall fiscal and monetary policies and the principal financial institutions. In sectors in which it does not plan directly, the Central Government has still the responsibility of incorporating the separate plans of States into national plans and therefore, of providing the premises and the broad framework of policies for the plans of individual States.

In the second place, the democratic structure of the country with freedom given by the Constitution to all sections of the people to function as political parties or as voluntary groups and associations, makes it imperative for planning to be responsive to public opinion and seek support and understanding on the widest scale possible.
In the third place, while gradually the public sector is enlarging its scope, the bulk of economic activity is still in private hands, e.g., agriculture, trade, small industries, construction and a considerable part of industry. In a mixed economy, a considerable part of the work of planning consists in providing the essential economic and social overheads, in creating conditions in which large and small units of production, be they individual, cooperative or corporate, are enabled to function, and in promoting various trends and activities in the interest of economic growth.

Finally, being committed to the welfare of all sections of the community and to the objective of ensuring effective equality of opportunity, India's plans have inevitably a strong social bias. This was expressed by Parliament in 1954, through the adoption of the objective of achieving a "socialist pattern of society". This concept embodies the values of socialism and democracy and the approach of planned development. As was stated in the Second Five Year Plan,

"Essentially this means that the basic criterion for determining the lines of advance must not be private profit, but social gain, and that the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment, but also in greater equality in income and wealth. . . . . The benefits of economic development must accrue more and more to the relatively less privileged classes of society and there should be progressive reduction of concentration of incomes, wealth and economic power. . . . . The accent of the socialist pattern of society is on the attainment of positive goals, the raising of living standards, the enlargement of opportunities for all, the promotion of enterprise among the disadvantaged classes and the creation of a sense of partnership among all sections of the community. These positive goals provide the criteria for basic decisions."
3. Within the framework of a Five Year Plan, many operational decisions and budgetary allocations have to be made in terms of annual plans. Details of procedures concerning annual plans are explained later.

4. Since a considerable proportion of projects determined under the Five Year Plan have long gestation periods, it has become necessary to place increasing emphasis on long-term plans of development in different sectors of the economy, more specially, in industries, transport, power, large irrigation works and the training of manpower. However, except in terms of projection of the growth of the economy as a whole, long-term plans in different sectors have not yet been sufficiently linked up with one another. In other words, the picture of the structural inter-relationships between different parts of the national economy as these are likely to evolve from phase to phase in the future belongs to the next stage in the development of planning.

Methods of Diagnosis of Existing State of Economy

5. The preparation of a Five Year Plan involves simultaneously—(a) appraising of past trends and performance, (b) assessment of major current problems, and (c) determination of measures and policies for future growth. Along with these, an attempt is made to take stock of the knowledge of the natural, material and human resources which may have become available in the course of the preceding plan and to assess the significance of economic and social data for understanding the structure and functioning of different parts of the economy. These appraisals and surveys call for the cooperation of a large number of agencies and institutions, both within and outside the Government. For the analysis of past trends and current problems, reliance is placed on three principal institutions—the Planning Commission, the Central Statistical Organisation and the Reserve Bank of India. In addition, past trends and current problems are studied in their respective fields by each of the Ministries concerned at the Centre and in the State Governments. The task of summing up the results of these studies is undertaken finally in the Planning Commission.
6. With a view to greater understanding of the functioning of the economy and the social structure through successive Five Year Plans, stress has been laid on the following:

(1) Development of a system of national accounts.—Since 1948-49 estimates of national income are being compiled by the Central Statistical Organisation and considerable progress has been made towards the building up of a system of national accounts. Estimates of gross capital formation are also being prepared. The scope of national income studies is now being broadened to include the estimates of national income for individual States, specially in terms of commodity production. Tentative estimates of gross and net saving and investment are also being made and are being refined by the Reserve Bank of India and the Central Statistical Organisation.

(2) Improvement of agricultural, industrial and other statistics.—For several years, considerable attention has been given to increasing the coverage and accuracy of data concerning agricultural and industrial production. The reporting area for agricultural statistics has been extended steadily and for the principal crops production data are now based on crop cutting surveys. Statistics of industrial production compiled under the Industrial Statistics Act and published both on a monthly and annual basis are supplemented by sample surveys of manufacturing industries. Comprehensive financial and monetary data are compiled by the Reserve Bank of India. The coverage of price data, specially for agricultural commodities at the wholesale level, has been steadily enlarged, and greater attention is now being given to the collection of retail prices. Various agencies of government collect extensive data in their respective fields, such as the Ministries of Railways and Transport and Communications and the Ministry of Labour. Among major areas in which sufficient statistical information is not yet available are trade, small industries and
construction. In these and other fields, efforts are being made to fill the present gaps through the work of State Statistical Bureaus and through enquiries undertaken by the National Sample Survey. The Rural Credit Survey undertaken by the Reserve Bank of India a few years ago provided valuable information regarding the rural economy. Annual follow-up surveys are now being undertaken with a view to obtaining up-to-date information, special on the financial aspects of the rural economy.

(3) Obtaining statistical data regarding the private sector.—An important gap in the first two Plans concerns the size and structure of the private sector of the economy, specially in industries. Considerable information has now become available through analysis of company balance sheets undertaken by the Reserve Bank of India, data collected by the Company Law Administration Department, analysis of data furnished in applications for industrial licences and attempts to ascertain investment plans of private industry.

(4) Research and evaluation.—An important step taken in the First Five Year Plan was the establishment of the Research Programmes Committee under the auspices of the Planning Commission. The Committee, which consists of leading economists and social scientists, has been responsible for initiating research projects through universities and other educational institutions for the investigation and study of social economic and administrative aspects of development. The series of studies already published or under way as a result of this programme have thrown considerable light on the problems of the Indian Economy. More recently, arrangements have been made for a cooperative programme of research in basic problems of development between the Planning Commission and five leading research institutions.
Evaluation of current problems of the rural economy, specially those arising from the working of the community development and agriculture and other allied programmes, has been undertaken since 1952-53 by the Programme Evaluation Organisation of the Planning Commission. Beginning with evaluation of an overall nature, in recent years, greater stress is being laid on problem-oriented evaluation. Similar evaluation studies are also beginning to be undertaken by StateGovernments. Such close examination of problems in different fields of rural development, specially problems of operation at the field level, are proving to be of great value in modifying plans and policies in the light of actual experience.

Similar problem-oriented studies have been undertaken by specially constituted teams under the auspices of the Committee on Plan Projects of the National Development Council. The studies of these teams have included irrigation and power projects, building and construction in several fields as well as investigations of selected problems of rural development.

Thus, although there are still gaps in the social and economic information available for planning, over the past decade, these gaps have been steadily reduced and several agencies and institutions have come into existence through which greater insight into the social and economic structure and the working of programmes and policies of development is available in increasing degree.

7. Surveys of resources.—One of the most important aspects of planning is to build up adequate organisations for surveys of natural resources and to reorient the surveys undertaken by them to the practical requirements of economic development. To begin with, plans have to be formulated with such meagre data as might be available. The first stage is to establish and strengthen the
specialist organisations responsible for field surveys. Thus, in India the Central Water & Power Commission of the Ministry of Irrigation and Power have undertaken studies of water resources for different river basins. They are also responsible for load surveys. In the field of mineral resources, the Geological Survey of India and the Bureau of Mines have been considerably expanded, the former focussing attention on the extension of geological map coverage and regional prospecting and the latter on prospecting of selected areas and on exploratory mining. Investigation of oil resources is a more recent development and is the responsibility of a new organisation, the Oil and Natural Gas Commission. Considerable work has also been undertaken for the preparation of a soil map of India.

8. In the study of natural resources, special stress is now being given to identification of gaps in information in relation to the requirements for long-term economic development. A series of studies concerning land, forest, water, energy and mineral resources have been initiated from this point of view under the auspices of the Committee on Natural Resources, an organisation which brings together the Planning Commission and various leading agencies engaged in surveys of resources. A second major direction in which emphasis is now being placed relates to energy surveys. Here the object is to ensure, firstly, that these surveys are undertaken at fairly frequent intervals, and, secondly, that the development of energy is planned ahead for sufficiently long periods so as to avoid the building up of pressures and shortages which may inhibit economic growth.

9. The essential object of the economic and social studies and appraisals of resources undertaken at the time of the preparation of a Five Year Plan is to identify areas in which there may be imbalance in the economy and to anticipate possible future imbalances. The problem is in part quantitative and physical, but there are also important qualitative aspects which have to be necessarily a matter of judgement.

Assessing Potential for Economic Development

10. The preparation of a Five Year Plan is spread over a period of two to three years. Work on the plan begins with the
consideration of (a) the likely growth of population, (b) desired rate of economic growth and (c) certain broad considerations as to priorities and directions of development. In the plans formulated thus far, projections concerning population and its age-composition have led to estimates of the principal consumption requirements, including food, cloth, education etc. In the Second Plan, an average rate of growth of 5 per cent per annum was postulated and was adopted for various sectoral studies. The Third Plan envisaged a cumulative rate of growth of over 5 per cent. Although, from the beginning, on certain assumptions concerning capital-output ratios, estimates of investment requirements have been made in a preliminary way, in the main, the plans have been built up from sectoral and regional studies. In those fields in which detailed plans are drawn up by the States and responsibility for implementation rests with them, sectoral plans do not finally emerge until plans at the regional level have been considered and broadly agreed. This is the case, for instance, in agriculture, irrigation, power, small industries, roads and road transport development and education and other social services.

11. Investment requirements indicated by sectoral and regional studies, including requirements of foreign exchange, are examined with reference to estimates of financial resources likely to be available for development during the given period. Estimates for the private sector are prepared in the first instance by the Reserve Bank of India, mainly with reference to past trends, while those for the public sector are worked out by the Planning Commission and the Finance Ministry. The Commission indicates to the States the assumptions on which they should work out their estimates of financial resources. Assumptions have also to be made concerning, for instance, the levels of additional taxation by the Centre and the States over the plan period and the extent to which, on overall considerations, deficit financing could be undertaken by the Centre. Both for public sector and for private sector plans, there has to be further study of the investment requirements of sectoral plans against the total resources available leading to modifications and adjustments in one or the other or in both.

12. In the practice hitherto adopted, the consistency and balance of the emerging plan have been checked in detail in L2\textsuperscript{n}C/64—5
various ways, e.g., investment with reference to savings, foreign exchange needs with reference to likely availabilities, requirements of key materials with reference to quantities expected to be produced, major requirements such as, foodgrains and industrial raw materials against supplies under the tentative plans etc. In this way, the preliminary magnitudes suggested at the earlier stage of plan formulation are given greater precision and detail and are, with the necessary modifications, incorporated into the plan.

13. The growth potential of the economy is ascertained (a) in relation to past trends, overall as well as for each sector, (b) in terms of the demand as assessed in each sector (food, raw materials, energy, transport, etc.) and (c) from the standpoint of development technically feasible in each sector, keeping in view improvement in levels of productivity, choice of techniques etc. Provisional judgements are reached by the Planning Commission on a study of the relevant facts. Although the area in which real alternatives exist is quite limited, having regard to the objectives, priorities and basic policy decisions which constitute the pre-determining conditions of the plan, before the plan is finally accepted, an attempt is made to explore whether marginal adjustments in targets and allocations between different sectors could lead to improvements in the rate of growth or a better balance between different sectors of the economy. It may, therefore, be assumed that, even though there may be small elements of imbalance and inconsistency between different sectors and within each sector, these are capable of correction and adjustment in the course of execution of the plan, and further that, in the final form in which it is presented, allowing for a certain degree of compromise inevitable in the decision-making process, the plan represents in the circumstances the best attainable optimum in the scheme of mobilisation and allocation of resources. This scheme is not conceived of as being rigid or unchangeable. It is intended to be a fairly detailed map to aid in the various specific decisions which have to be taken from stage to stage. Of course, each investment decision commits resources over a period and to that extent lessens the area of choice in the current Five Year Plan.

Consideration of Broad Economic and Social Objectives

14. The main problems of an under-developed economy to which solutions have to be found through planning are structural
and long-term. Various processes of social and economic change have to be initiated and pushed forward so that their influence becomes both continuous and cumulative. Achievement of rapid growth is the primary objective of planned development, but this itself entails decisions concerning the allocation of resources between consumption and investment, pattern of future development, changes in social structure and the scheme of resource mobilisation. In setting objectives, the important limiting factors are (a) time (that is, what can be realised in a given period, under given conditions), and (b) resources, both physical and financial. There is a conflict, first, between short, medium and long-term objectives and, secondly, between strictly economic and extra-economic objectives.

15. There are in fact scarcely any objectives, other than in the context of the operation or implementation of an accepted plan, which can be described as being short-term in nature. The essential choice is between different combinations of medium-term and long-term objectives. The elements entering into the consideration of various economic and social objectives are more complex, for the question is not merely one of deciding between economic progress and social welfare, but also of determining whether desirable and necessary social reform should proceed or be deferred until there has been sufficient economic advance. New conditions and forces arise and an indiscriminate preference for economic growth and postponement of social change may have such incalculable consequences in the future as to be impossible of adoption as a practical policy, at any rate, in the framework of a parliamentary democracy.

16. Against the background of these considerations, the first emphasis in India's plans has been on economic growth combined with stipulations regarding the pattern of development. This implies (a) intensive agricultural development for ensuring self-sufficiency in foodgrains and adequate supply of agricultural products for industry and for exports and (b) expansion of heavy and basic industries, so as to provide for greater self-reliance in industrialisation. Rapid industrialisation demands the development on a commensurate scale, on the one hand, of power and transport and, on the other, of technical education and scientific
research. Subject to the overall availability of resources, high priority is given to these objectives. But limitations of resources, both internal and external, and various pressing claims make it difficult to allocate in full all the resources needed even for the priority sectors. The result is that employment, welfare and distribution objectives have received in practice a lower priority than has been accorded to them in the general conception of the plans. In later plans, therefore, the emphasis has to shift to a greater extent towards these objectives.

*Establishing Targets for Individual Sectors*

17. It is sometimes assumed that individual targets in different sectors in a Five Year Plan are all established at one point of time after the Plan has been verified for consistency and other criteria. This is true in the sense that the targets are finally confirmed when the Plan is approved or adopted. However, in the intervening period, while the Plan is under preparation and active consideration, the agencies concerned and large sections of organised public opinion are involved in a responsible way in the formulation of the Plan, come to be committed to specific degrees of advance in the relevant sectors and have to explain or be entitled to explanation for any significant departures that may be made. The final count against the resources available and the various checks for consistency that may be applied lead at best to marginal adjustments in individual sectors. In the Indian practice, while there is need for more elaborate overall technical examination of the various relationships within the Plan, much the largest attention has been claimed hitherto by studies relating to plans in individual sectors, preparation of programmes of development, selection of projects and the working out of the implications of growth in related areas. These studies are a primary responsibility of the Ministries concerned and are entrusted to expert working groups composed of specialists from various organisations, including the Planning Commission, and receive general guidance and direction from the Commission. Consideration of a Plan as a whole passes through several stages, so that there are opportunities for drawing attention to and correcting any important, inter-sectoral imbalances.
18. Reference has been made earlier to the general considerations which are followed in planning for development in individual sectors of the economy. A brief account may be given of the methods adopted in different branches of the economy. It should be added that with each successive Plan, the requirements and the technical possibilities are being subjected to greater study, both within and outside the Government, and new refinements are being introduced from time to time. There are three weaknesses in the present process to which special attention is now being given. Firstly, while much study is devoted to targets and other estimates relating to the final year of the plan period, these need to be worked back more thoroughly and phased in greater detail for the preceding years. Because of deficiencies in the study of the problems of phasing, frequently the actual fulfilment of plan targets is adversely affected. Secondly, in critical sectors of the economy, where large investments and long gestation periods are involved, as in projects in industry, power, transport, irrigation etc., the utmost importance attaches to the quality of technical study and the working out of various economic, financial and other implications. In the early stages, adequate personnel and organisation are not available for the preparation of projects and many relevant factors may not receive the consideration due to them. An important aspect of planning is to strengthen the technical apparatus for project studies. In the third place, in the course of the construction of a project it becomes necessary to introduce various changes and adjustments on account of factors which could not be anticipated earlier. These are reflected in turn in the targets and schedules stipulated for the plan period and may also affect investment and other estimates. In other words, even under favourable conditions, a plan must remain flexible and open to change, both in terms of targets and benefits and of cost estimates and financial returns.

19. There is a broad distinction between sectors in which, to begin with at any rate, plans are formulated in terms of physical possibilities or the requirements of the economy, and those in which the resources that can be made available rather than the measure of development that can be achieved constitute a major determining consideration. Broadly, agriculture, industry, transport, power, technical education and scientific research may be
said to fall within the first group, and social services within the second. The importance of investment in human resources is being increasingly emphasised and it is to be expected that in later plans the social aspects of planning will receive equal priority with the economic, but in the initial plans the dilemma is a real one.

20. *In agriculture* the essential approach is to plan for the degree of increase in production which will (a) meet the estimated requirements of food, industrial raw materials and exports, and (b) be physically possible. The principal limiting factors are organisation (technical, administrative and at the community level), credit (specially medium and long-term) and foreign exchange (for supplementing indigenous production of fertilizers). The targets in the plan relate to the various physical tasks to be carried out—the areas to be irrigated, to be brought under soil conservation operations, to be planted with improved varieties of seed, to be benefited by manures and fertilizers and so on. These areas are established through the State, regional and local plans. Against the various targets of development or construction, estimates are made of the likely increase in production under certain assumptions, as to season, anticipated increments of yield arising from different inputs etc. The estimates are necessarily rough in character and provide broad dimensional judgements.

21. *In industry*, the first approach is to consider the proportion of industry to other sectors of the national economy and, in particular, to estimate the demand for the basic commodities—steel, cement, coal, etc. In each case, the existing supply situation, including internal production and imports and the availability of raw materials, capital costs, foreign exchange requirements, etc., are studied with a view to determining the general magnitude of development to be carried out during the plan period. Study of the composition of demand involves assumptions in relation to the principal consumers concerning the scope of their own development plans. For each of the private industries, discussions are held with the major producing units and representatives of the industries. In the practice thus far, the industrial plan has been built up in a tentative way, industry by industry, and finally it is verified for mutual inter-relationships and inputs and outputs as between the principal industries.
consumer industries specific targets are not worked out, but for most industries, the Plan indicates the levels of production and capacity to be reached by the end of the plan period. Decisions concerning the projects to be carried out directly by the Government are arrived at separately, but fall within the general scheme of targets of expansion which are arrived at through the detailed studies mentioned above. Broadly, they have followed the lines of the Industrial Policy Resolution described earlier, but the size of the public sector's own programme has been limited ultimately by the Government's judgement as to priorities of development from the overall point of view and the capital resources likely to be available to the public sector and an assessment of the range of managerial and technical responsibilities the Government feels able to assume during the given period.

22. Estimates of requirements for power and transport during the plan period are largely derived from estimates of production and development in agriculture and industry. They are also worked out for different regions. An important limitation in the past has been that while power and transport facilities must be provided ahead of the actual requirements and both involve long periods of construction, the industrial plan for a given period does not take detailed shape until a fairly late stage in the planning process. This illustrates the inadequacy by itself of the medium-term plan. It is important that the broad outline of the long-term industrial plan, including in a general way the major areas of industrial location, should be available well in advance and should provide the basis of the development plans for power and transport. In the past, invariably power and transport have lagged somewhat behind the growth of demand. Efforts are now under way to reverse this process, both through more systematic long-term plans and through advance action in anticipation of the succeeding Five Year Plan.

23. Plans for technical and professional education have to be laid at the beginning of each plan period for the following plan period, since it takes several years to train an engineer or a doctor or an agricultural specialist. Long-range manpower training programmes have now been common practice for several years. Various norms are adopted for estimating requirements for each
category of personnel, but there is room here for greater systematisation and research. To undertake such studies an Institute of Applied Manpower Research has been recently established. Special difficulties have been experienced in assessing personnel requirements in relation to sectors in which a considerable part of the employment opportunities lie in the private sector.

24. In the field of general education, planning is guided by the broad directive to provide facilities for the free and compulsory education of all children in the age-group 6—11 years by the end of the Third Plan and for all children up to the age of 14 years in the course of the Fourth and Fifth Plans. Corresponding to these targets, the Third Plan attempts to make the necessary resources available. Comprehensive plans for the improvement and diversification of education have been formulated and are implemented under each Five Year Plan. The resources indicated for education in the Plan and the targets for the development of different branches of education are conceived as a minimum programme, to be enlarged progressively as circumstances permit.

25. In other fields of social planning, such as Health, Housing, Social Welfare etc., the Plan allocates resources on the basis of detailed examination of the facilities to be developed and in view of the long-range objectives to be achieved. It must be admitted, however, that these sectors do not yet receive financial allocations commensurate with the real needs of the community. Through a selective approach the more urgent requirements of the mass of the people are being given higher priority, and local communities and groups are being aided to enlarge their welfare and other facilities on the basis of self-help and limited amounts of assistance from the government.

26. Once work on targets and programmes of development in the various sectors has proceeded far enough, the plan is pieced together as a whole and checked against the original estimates in the draft ‘plan-frame’. The requirements of capital, both fixed and working, and of foreign exchange are reckoned for the plan as a whole. At this stage, the results of studies concerning the total capital resources and foreign exchange which are likely to be available over the plan are drawn into the discussion. This leads
to further examination, both of the scope for mobilising larger resources and securing a bigger effort on the part of the community and of the possible directions in which the plans for different sectors need to be expanded or modified. At the same time, the implications of the plan in terms of additions to employment and claims on key material resources such as steel, cement, etc., are carefully assessed. This is the basis of further judgements and directives at the highest level in the Government regarding modifications in the size, scope, scheme of allocations and priorities within the plan. At this stage the greatest attention is focussed on the plan of the Government, both at the Centre and in the States, but a view is also taken of the changes in and implications of the main dimensions of the estimates proposed for the plans in the private sector. It is emphasised that both for the public and the private sector the Five Year Plan is at best a carefully worked out framework within which detailed operational decisions have to be taken from stage to stage and implemented through annual plans and decisions. There is no sense of rigidity and unchangeability about the Five Year Plan. It is realised that many of the estimates on which the Plan is based will undergo substantial changes, which will have to be taken into account in the detailed working of the Plan. At the same time, it is stressed that many parts of the Five Year Plan, specially industry, power, transport, technical education and scientific research, must constitute a continuum, stretching as an integrated complex well beyond the five-year period. For this reason it is considered necessary to avoid the approach of equating the total physical effort to be presented in the plan too narrowly to estimates of financial resources for a given period for, in turn, these are contingent in no small degree on a whole series of assumptions concerning the growth and functioning of the economy during the plan period and are subject to many factors which cannot be anticipated for as long a period as five years.

Mobilisation of Financial Resources

27. With each Five Year Plan elaborate studies are initiated for determining the financial resources, both internal and external, which may be expected to be available for financing development over the plan period. These proposals are examined with
reference to the likely investment requirements and, with suitable modifications in both estimates and after taking into account the effects of further measures for mobilising resources that may be proposed, an attempt is made to strike a balance in terms of the five-year period. Similar studies are also undertaken from year to year during the currency of the plan period. Financial resources for the Plan have to be viewed as an integrated whole, although, for convenience, it is useful to work out detailed estimates separately for (a) internal resources and (b) foreign exchange. Under (a) estimates are compiled separately for the public sector and the private sector; for the former, separately for the Centre and the States and, for the latter, separately for the organised corporate sector and for the rest of the private economy which constitutes the unorganised sector and, except for finance provided by the Government and by cooperative and other institutions, is taken to be self-financing. Under (b) balance of payments estimates are prepared in relation to the projections and assumptions of the Plan and, after considering the amount of external assistance which may become available over the plan period, credit for the 'budgetary receipts' which may accrue from external assistance is taken in the estimates of internal resources likely, on given premises, to become available for financing the plan of development.

Resources for the Public Sector

28. Estimates of financial resources likely to be available over the plan period are prepared on the basis of (a) the rate of increase in national income envisaged under the Plan being realised and (b) in the case of State enterprises, on the basis of certain planned outputs materialising and being disposed of on assumptions as to prices provided for in the plan-frame.

29. An important concept employed is to distinguish resources required for financing Plan expenditures as distinguished from non-Plan expenditures. The Plan does not include expenditures on the continued maintenance of institutions and services which may have already come into existence at its commencement. Expenditure on these are estimated and only the balance of the resources available (at existing levels of taxation) is taken into account in relation to the finance of the Plan. A second concept
that is employed is to distinguish Plan expenditures which constitute 'investment' and those which are 'current outlays'. 'Investment' is defined as expenditure on the creation of physical assets e.g. buildings, plant and equipment, including expenditure on personnel required for putting up these assets. The expression corresponds broadly to expenditure on capital account. 'Current outlays' corresponds broadly to expenditure on revenue account on Plan schemes; these are expenditures other than those classified as 'investment'.

30. Resources expected to be available to the Government are estimated under the following main categories.

(1) Balance from current revenues at rates of taxation for the year immediately preceding the Plan.

(2) Surpluses of public enterprises:
   (i) Contribution of Railways,
   (ii) Surpluses of other public enterprises.

(3) Borrowings from the public:
   (i) Market loans (net),
   (ii) Small savings (net).

(4) Capital receipts:
   (i) Provident funds (net),
   (ii) Steel equalisation fund (net),
   (iii) Balance of miscellaneous capital receipts over non-Plan disbursements.

(5) Additional taxation, including measures to increase surpluses of public enterprises.

(6) Budgetary receipts corresponding to external assistance.

(7) Deficit financing (that is, net credit by the Reserve Bank of India to the Government

(8) Total—items (1) to (7).
The terms employed above are in the main self-explanatory. It may be added, however, that in estimating item (1), current revenues are projected in accordance with the rate of growth anticipated in the Plan and, similarly, non-Plan expenditures, both developmental and non-developmental, are projected and deducted from the estimate of revenues to arrive at the balance available from current revenues at existing rates for financing the Plan. For borrowings and capital receipts (items 3 and 4), only net amounts are reckoned. Against item (6), only those receipts in lieu of external assistance are reckoned which pass through the Government's budget. Thus, amounts going directly to the private sector, from whatever source they come, and counterpart rupee resources retained, for instance, by U.S. authorities for foodgrains supplied under P.L. 480, are not included as 'budgetary receipts'. Deficit financing has been limited in India's Third Plan to a level warranted by the genuine monetary needs of the economy, but in the Second Plan a degree of risk was deliberately assumed in order to ensure a plan of adequate size.

31. Estimates of resources available to the Government are compiled first for the period of the Plan, separately for each year, and are then repeated each year, before and after the annual budgets, in the context of the annual plans. They are worked out, separately for the Centre and for each of the State Government, for the five years of the Plan (on a phased year-to-year basis) and for each year as the Plan proceeds. For the States the studies are undertaken by their own Governments on assumptions indicated by the Planning Commission and the final figures are adopted only after they have been jointly examined by each State in consultation with the Commission. Such studies have the primary object of (a) keeping a close watch on non-Plan expenditures, both revenue and capital, (b) stimulating States to step up their efforts for small savings, and (c) determining the size and scope of the additional tax effort in each State in keeping with the target of additional taxation accepted in the State Plan and in the National Plan for the five-year period. As part of its studies for formulating the Five Year Plan, each State Government works out, as a basis for further study with the
Planning Commission, its detailed and phased year by year estimates under the following main Tables:

1. estimate of receipts on revenue account,
2. estimate of expenditure on revenue account,
3. estimate of receipts on capital account,
4. estimate of disbursements on capital account,
5. estimates of borrowings and interest liability for the plan period/year,
6. estimate of State’s resources for the plan period/year, and
7. summary Table.

32. For the five-year period, estimates of financial resources, compiled in the manner described above, are an important determinant of the size of the plan in the public sector. They are of course not finally decisive, for it is customary to subject each important item in the estimates to searching examination with a view both to enlargement of resource possibilities and study of possible economic implications. The final decisions are usually reached after consideration by Government at the highest level. The annual estimates are tested against the agreed five-year magnitudes and here, while the estimates presented after necessary consultations by the Planning Commission serve as a guide, the final decisions as to the amounts of deficit financing, market borrowings and additional taxation are taken by the Ministry of Finance at the Centre and in each State by the Government concerned as it presents its annual budget to its own Legislature.

Resources for the Private Sector

33. Resources for the private sector are estimated in much less detail and precision than for the public sector. For the unorganised sector of the economy (agriculture, trade, small industry and construction) estimates are prepared by the Reserve
Bank of India mainly on the basis of past trends projected into the future on assumptions as to rates of growth during the plan period and data derived from such special studies and surveys as may be available. For the corporate sector, estimates are now worked out more elaborately than in the earlier years of planning and, besides the Reserve Bank of India and the Planning Commission, the Company Law Administration Department of the Government of India and the Central Statistical Organisation also participate in the studies. Estimates for the private sector have been prepared hitherto in relation to the five-year period without a year to year phasing being attempted. For individual years they have been worked out, not at the beginning, but at the completion of each year by way of analysis of actual events. In these two directions, obviously, the existing system has to be developed further. Moreover, in the estimates even for the organised private sector, there is a large element of conjecture, and in future it will be essential to associate the various financial institutions as well as leading enterprises and organisations representing different industries.

34. In these studies, the amounts likely to be forthcoming over the period of the plan are estimated for the following principal sources for the supply of funds for industrial and mineral programmes in the private sector:

(1) institutional agencies,
(2) direct loan participation by the Central and State Governments and other assistance,
(3) new capital issues,
(4) internal resources (net of repayment liabilities), and
(5) direct foreign credit participation in capital.

The main financial institutions—almost all of them established since the commencement of planning—are the Industrial Finance Corporation, the State Financial Corporations, the Industrial Credit and Investment Corporation of India (which is supported by the World Bank), the Refinance Corporations for Industry, the National Industrial Development Corporation, the Life
Insurance Corporation and the Agricultural Refinance Corporation. Capital issues under item (3) are required to have the approval of Government. Internal resources under item (4) include both depreciation provisions and additions to reserves. Item (5) excludes external aid channelled through various financial institutions in the country as well as foreign credits made available through the Government to the private sector. Foreign equity participation is included under item (5). It is obvious that each of the above estimates has to be based on various assumptions and must remain necessarily very tentative.

Inventories

35. In estimating resources needed both for the public and the private sectors account has to be taken of the inventory requirements. In the Second Plan, since few public enterprises had reached the stage of operation, inventory requirements were considered only for the corporate private sector. In the third Plan, a modest provision has been made in the Plan for the public sector as well. It is considered important that methods of estimating inventory requirements in both sectors should be refined and that the estimates should also be worked out on a current basis for shorter periods. In the normal course, inventory requirements may tend to be somewhat under-estimated. On the other hand, as the economy grows, they may be expected to increase more sharply.

Foreign Exchange Resources

36. In the nature of things, estimation of foreign exchange resources for a Five Year Plan presents a serious difficulty and the estimates must remain only a broad guide for more detailed and realistic estimates for shorter intervals. Foreign exchange studies in the formulation of a Plan involve four different sets of exercises:

(a) *Estimation of foreign exchange requirements.*—Foreign exchange requirements have to be estimated first in relation to the projects and schemes proposed to be included in the Plan. For many of the projects
only rough estimates are available at the stage of formulating a Plan and a fair number of guesses have to be made. Thus, the resulting data are chiefly valuable in assessing dimensional magnitudes and much detailed study must be undertaken on a continuing basis, the estimates becoming progressively more precise and supported by further technical data and information on the phasing of requirements. Furthermore, foreign exchange requirements have also to be estimated in respect of (i) repayment obligations over the plan period and (ii) requirements for raw materials, components and balancing equipment needed for increasing the production of capital goods.

(b) Imports and estimates of payments. — The study of the balance of payments includes both the preparation of the export plan and estimation of imports and payments to be made over the plan period. Imports are divided into (i) 'maintenance' imports, that is, imports of raw materials, components, fertilizers, etc.; required for the utilisation of the available industrial and other capacities at production levels assumed in the Plan, and (ii) imports of machinery and equipment related directly to the Plan. In studying import requirements, account must also be taken of possibilities of import substitution arising from the growth of indigenous production and more specially, as a consequence of the Plan itself.

(c) Export plan. — The preparation of the plan of exports is of critical importance in the formulation of the Five Year Plan, but constitutes a task of considerable difficulty. The export plan rests, above all, on assumptions concerning the phased realisation of production targets of the Plan, the actual working of the economy and price levels which may prevail during the plan period, and the ability of the economy under conditions of growing domestic demand to make available the surpluses for which there is foreign
demand. Secondly, without adequate factual basis or assurance concerning the policies of importing countries, assumptions have to be made regarding the likely trends in world demand for a number of agricultural and industrial commodities. Changes in the direction of trade have also to be studied afresh in the light of developments of recent years and progress in other developing economies. Thirdly, having regard to the relative stagnation of exports during the first two Plans, a series of decisions have to be indicated involving fiscal, organisational and other measures for a wide range of goods and services.

(d) **Estimate of external assistance.**—Finally, in view of the crucial role of external assistance, both in supplementing domestic savings and towards meeting the foreign exchange gap in the Plan, assumptions have to be made concerning the size, composition and possible sources of external assistance which may be taken into the scheme of the Plan. It is obvious that such assumptions are largely a matter of judgement and that they should be such as to serve as an acceptable basis for further negotiations with international agencies and friendly countries.

37. Once planned development gets under way and plans for industrialisation begin to occupy the place due to them, the foreign exchange aspects become increasingly critical in the fulfilment of the Plan. In turn, they demand a considerable measure of flexibility in the implementation of the Plan. At each stage, foreign exchange aspects present a range of alternatives in relation to which fresh decisions have to be taken for the implementation of the Plan.

**Planning Procedures**

38. As explained earlier, the national plan comprises, on the one hand, the plans of the Central and State Government and,
on the other, plans for the private sector and, more specially, for the corporate sector. 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 the 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. Preliminary conclusions on these and related aspects are submitted by the Planning Commission to the Cabinet at the Centre and to the National Development Council, a body composed of the Prime Minister of India, the Chief Ministers of States and Members of the Planning Commission, in whose deliberations the Ministers of the Central Government also fully participate. 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.

39. The second stage consists in 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 Commission and to function on its behalf frequently senior officials 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 these 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 their 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. Thus, in relation to the Third Plan, the Planning Commission had the assistance of a Panel of Economists, a Panel of Scientists and Panels for agriculture, land reform, education, health, housing and social welfare. The working groups constituted by the Planning Commission studied Financial Resources, Agriculture, Irrigation, Power, Steel, Fuel, General Education, Technical Education, Scientific Research, Health and Family Planning, Housing and Urban and Rural Planning and Welfare of Backward Classes. The working group on Resources was concerned with the estimation of financial resources, both external and internal, and resources for the public sector as well as the private sector, and included officials from the Planning Commission, the Ministry of Finance and the Reserve Bank of India.
40. On the basis of preliminary studies undertaken by the various groups and, to the extent available, the preliminary suggestions of Panels, (specially the Panel of Economists) the Planning Commission gathers the main features of the Plan under formulation, including the principal magnitudes, into a Draft Memorandum. This Memorandum also presents the principal issues requiring consideration at the highest policy level and draws attention to the directions in which the effort envisaged in the proposals is likely to fall short of the requirements of the economy and should be further augmented. At this stage, in the practice thus far, not much is known concerning the scope of plans in the private sector, even in the corporate private sector, and the Draft Memorandum can do no more than outline the larger magnitudes involved. The Draft Memorandum is submitted to the Central Cabinet, where it is discussed in detail, each Ministry being deeply concerned with the adequacy of proposals in its respective field, and is then placed before the National Development Council. At this stage the regional break-up of the various proposals is not furnished, one of the main aims being to provide a considered basis for the formulation of State plans. The Draft Memorandum, with the further proposals and comments that may be made by the National Development Council, constitutes the basis for the next stage in the formulation of the Plan, namely, the preparation of a Draft Outline. In relation to the Third Plan, opportunity was also taken by the Prime Minister of India, who is Chairman of the Planning Commission, to confer on some of the major issues involved with representatives of the main political parties in Parliament, who met several times in a Committee presided over by the Prime Minister which served as a consultative body for the Plan at the political level.

41. The Draft Outline of the Five Year Plan is a considerable elaboration of the earlier Draft Memorandum. It 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 is prepared in the Planning Commission, is commented upon in draft by the various Ministries and the State Governments and is considered in the Central Cabinet before being submitted to the

THE PLANNING PROCESS
National Development Council. With the approval of the Council, the Draft Outline is published as a document for the widest public discussion and consideration. Comments are invited from all sections of opinion. State Governments arrange for the Draft Outline to be discussed thoroughly at the district level by District Development Councils and other bodies. According to the practice which is now well developed, at the national level both Houses of Parliament arrange for discussion of the Draft Outline, first in a general way for a few days at a time, and then in greater detail through a series of Parliamentary Committees which individual Members are free to join and whose proceedings eventually form part of the parliamentary record.

42. While the Draft Outline is under discussion throughout the country, the Planning Commission, in association with the Ministries at the Centre, holds detailed discussions regarding the plans of individual States. These involve a study of their financial projections, proposals for raising additional resources and their detailed plans of development in different sectors. With each State, the discussions are held both at the expert level and at the political level, the final conclusions being reached in consultation with the Chief Ministers of individual States. These conclusions are regarded as understandings between the Planning Commission and the States for the size and composition of each State's plan, the main targets and programmes to be fulfilled, and the obligations undertaken by the Centre to provide a given quantum of financial assistance and by each State to find its share of resources and observe the agreed priorities. On the basis of detailed discussions with States, comments from different sources and the more detailed recommendations which the various working groups and Panels are now in a position to provide, the Planning Commission submits a fresh Memorandum to the Central Cabinet and the National Development Council in which it brings together the principal features of the Plan, the policy directions to be stressed and the issues which may require further consideration before the Report on the Plan is drawn up. The conclusions reached on this Memorandum become the basis of the final Report on the Five Year Plan on the preparation of which work is now taken in hand by the Planning Commission. This
detailed report, outlining the objectives, policies, programmes and projects in the Plan, is again commented upon in draft by the Ministries at the Centre and by the State Governments and is finally submitted to the Cabinet and the National Development Council. With the approval of the Council, the Report is published and presented to Parliament, usually by the Prime Minister. After discussions lasting for several days, each House of Parliament accords its general approval to the Plan and gives a call to the nation for its implementation and for the achievement of the objectives and targets embodied in it.

43. These are the steps by which a Five Year Plan takes shape. A great deal of the discussion is necessarily of a public nature, widely shared and involving large groups in every part of the country and in each branch of the national life. By the time the Plan emerges in its final form, it has already met its critics half-way, assimilated to a large extent the constructive thinking thrown up in the course of the debate and gained a degree of general acceptance for its assumptions, objectives, priorities and major features, which is in fact the principal moral and social sanction for its subsequent implementation. Responsibility for its execution rests with the Ministries at the Centre and with the Governments of States. The Planning Commission continues to watch and report on its implementation, assist the Central and State executive agencies to the extent necessary, advise on changes and adjustments and otherwise help ensure that the basic economic and fiscal policies are in conformity with the requirements of the Plan and that its social goals and long-range objectives are at no stage lost sight of.

State and Local Plans

44. State plans account for about one-half of the total outlay of the Government under a Five Year Plan. They include such vital sectors of development as agriculture, small industries, irrigation and power, roads and road transport and education and social services. In these fields, which come closest to the welfare of the mass of the people, the fulfilment of important national goals turns directly on the successful implementation of the plans of States. For these reasons a great deal of value
both in planning and in implementation, is attached to local plans. These are worked out, with varying degrees of completeness, for districts, development blocks and villages.

45. The areas considered most appropriate for drawing up local plans are the following:

(i) agriculture, including minor irrigation, soil conservation, village forests, animal husbandry, dairying, etc.,
(ii) development of cooperatives,
(iii) village industries,
(iv) elementary education, specially provision of school buildings for local communities,
(v) rural water supply and the programme of minimum rural amenities, including construction of approach roads linking each village to the nearest road or railhead, and
(vi) works programmes for the fuller utilisation of manpower resources in rural areas.

In these fields plans are expected to emanate at the local level and to be built up largely from below. There are other areas in which, in the first instance, plans have to be formulated at the State level for the State as a whole (with recommendations from districts) and then broken up, to the extent possible, by districts and blocks. These would include, for instance, secondary and vocational education, expansion of health facilities, district roads, industrial estates, etc. In a third group of areas, plans have to be formulated essentially for the State as a whole and implemented accordingly, for instance, for major irrigation works, power development, State highways, university education, etc. Attempts to formulate plans at the local level and, as it were, to plan from below have so far met only with partial success. The main difficulty is that if financial and other limits are indicated from the start, these plans tend to become too stifled and narrow in scope, thus failing in their main purpose, namely to draw local resources into the scheme of development to the utmost extent possible. On the other hand, if they proceed on the basis of felt needs, when added up, they go far beyond the
financial limits which are in fact feasible, and the exercise may not be of practical interest. Through more intensive and searching application of the techniques of local planning, these and other problems are sought to be resolved, but this will take time. Meanwhile, district and block plans are of the greatest value as tools of implementation for the the State and national plan.

46. At the village level, particular importance is attached to village agricultural production plans which have to be drawn up and implemented within the framework of block agricultural plans. The village production plan is intended to involve all cultivators in the village in the agricultural effort and to mobilise effectively the resources of local communities. It includes two main groups of programmes, namely, (a) supply of credit, fertilizers, improved seed, assistance for plant protection, minor irrigation, etc., for which a measure of assistance has to come from outside the village, and (b) programmes such as the digging of field channels for utilising irrigation from large projects and local irrigation and soil conservation works which call for effort on the part of the local community or the beneficiaries. Such village production plans are being prepared on a growing scale. While the techniques for their formulation and implementation are still being improved, they are considered an extremely important part of the planning process.

47. Regional plans are being undertaken for specially backward tracts within the framework of State plans. For certain purposes, for instance, interchange of surplus power or construction of multipurpose projects serving more than one State, arrangements are also made for coordination between States at the wider regional level.

48. Plans are drawn up for each large State enterprise by its own management and submitted to the Central Ministry or State Government concerned. The phasing of production and development, the investments and the anticipated surpluses form an integral part of the Five Year Plan. This sector of the Plan is now assuming very great importance and special attention is being given to thorough technical studies, physical programming and financial planning at the project level, as experience thus far has revealed marked shortcomings in all these respects. Over
the entire field of project preparation, appraisal and management considerable improvements are called for and there is need both to evolve new methods and techniques and to bring them into more general use.

Annual Plans and Annual Budgets

49. The first annual plan was prepared at the beginning of the Second Five Year Plan. Work on the annual plan precedes the annual budget. Around September each year the Planning Commission indicates to State Governments the more important objectives towards which the plan for the following year should be oriented, intimates the amounts of Central assistance they could reckon for their plans, and asks for their draft proposals within the general frame of their five year plans. States are also asked to furnish their proposals for raising additional resources, for financing their plans in accordance with the resource and outlay targets of the Five Year Plan. The proposals of States are discussed in detail during November and December, the Central Ministries also participating in the deliberations. Similar examination is undertaken with the Ministries at the Centre where work on the annual plan is linked up with the preparation of the Capital Budget. The allocations agreed with the Ministries become the basis of budgetary provisions for the following year. Balance of payments estimates, export programmes and the foreign exchange budget are also worked out as integral elements in the annual plan. In the Planning Commission other studies of an overall character are undertaken so as to fit the various proposals into a coherent scheme, but a formal document on the annual plan has not yet been presented by the Commission. An attempt is also made, with the aid of Development Councils and other representative bodies, to formulate industrial plans in the private sector, although this part of the annual plan is still weak. Annual plans are the main ‘operational’ instrument for the Five Year Plan, and it is of the utmost importance that the techniques should now be further improved and systematised and that the working of all aspects of the economy should be comprehended more fully and in a more inter-related way, with detailed phasing by quarterly or six-monthly periods worked out carefully for many major items.
IMPLEMENTATION OF THE PLAN

Policy and Organisation

The functions entrusted to the Planning Commission when it was established in March, 1950, have been indicated earlier. The Planning Commission has the responsibility for organising the preparation of plans, appraising progress and making recommendations on economic and social goals, policies and institutions. It is itself an advisory body and is not responsible for the execution of development programmes. There are a few items for which the the Planning Commission carries administrative responsibility, but these are either temporary in nature or have been currently assigned to the Commission because there was no other government agency which could readily meet the requirements. As an advisory body, the Planning Commission assists both the Central Government and the Governments of States. Its advice is given invariably after consultation with the agencies concerned and, as a general practice, it takes the form of mutually agreed conclusions. In the event of disagreement, both a Central Ministry which may be concerned and the Planning Commission may submit an issue under dispute to the Cabinet. Under the rules of Business in the Indian Government, before a submission is made to the Cabinet, all agencies associated with the subject under reference are required to be consulted and their views made known to the Cabinet along with the relevant facts.

2. Perhaps the most important aspect of the planning structure that has developed in India since 1950 is that responsibility for planning is in fact widely shared, that those who are charged with the duty of execution also plan, but do so within a framework and on premises indicated by the Planning Commission with the approval of the Central Cabinet and the National Development Council. At no point is planning isolated from the responsibility for implementation, nor is implementation viewed as an
independent responsibility which may be pursued in disregard of or in separation from the conditions laid down or accepted in the context of planned development. The second important aspect of the planning structure is the role of the States, both in planning and in implementation, and the functions undertaken by the Planning Commission in advising and assisting the States from a national standpoint rather than merely as one out of several organs of the Central Government. The Planning Commission observes how far the basic social and economic objectives are being achieved and endeavours to consider problems in each sector from the point of view of the economy as a whole. The National Development Council serves as the highest national forum for planning and in this the State Governments through the Chief Ministers have a most important place. The Council has in practice embodied and given informal sanction to the underlying concept of partnership and co-operation between the Centre and the States over the whole range of development.

3. The organisation of the Planning Commission facilitates its role as an advisory body functioning at the highest policy level without, however, being involved in the responsibilities of day-to-day administration. The Prime Minister of India has been from the beginning the Chairman of the Planning Commission and has participated in and given direction to the thinking on all major issues of policy. The office of Deputy Chairman of the Planning Commission is distinct from that of Minister of Planning. During two periods, 1952-53, and 1960-63, the Minister of Planning, then a Member of the Cabinet, combined the two offices. From an early stage, the Minister of Finance has been a Member of the Commission. Two other members of the Central Cabinet, the Minister of Home Affairs and the Minister of Food and Agriculture, are at present Members of the Commission. In addition, the Minister of Planning is a Member of the Commission. Besides these Members, whose presence on the Planning Commission is in virtue of their position as Ministers and secures essential links with the Government, the Commission has at present six full-time Members, who do not hold office as Ministers but, along with the Deputy Chairman of the Commission, undertake the continuing responsibilities for planning. In addition to the full-time Members, the Honorary Statistical Adviser to the Cabinet, also fun-
tions on a *de facto* basis as a Member of the Planning Commission and undertakes specific responsibilities in the Commission. Finally, as an important link with the administration and the Cabinet, that Cabinet Secretary holds also the office *ex-officio* of Secretary to the Planning Commission. The Planning Commission provides the Secretariat for the National Development Council, which brings State Governments into an organic relationship with the organisation of planning at the national level.

4. The Planning Commission's links with the Ministry of Finance are close and of special value. The Minister of Finance in his capacity as a Member of the Commission is responsible overall for the work of its Economic Division. The office of Chief Economic Adviser in the Ministry of Finance and of Economic Adviser to the Planning Commission are held in common by the same official. In relation to other Ministries also there are close working relationships, and arrangements for continuous consultation have been developed between the responsible officials. In two areas, however, the top personnel are also common, namely, land reform (with the Ministry of Food and Agriculture) and employment policies (with the Ministry of Labour and Employment). Unless otherwise arranged, the Planning Commission deals with enterprises and organisations subordinate to the Ministries through the Ministries concerned.

5. In relation to Parliament each Minister is responsible in his own field; likewise, State Governments are responsible to their own Legislatures. However, in Parliament, the Minister of Planning is responsible for the Plan as a whole and answers Questions which cover wider ground than the direct responsibility of individual Ministries.

6. The Planning Commission functions through a series of Divisions and Sections, each headed by a senior officer designated usually as Adviser or Chief or Joint Secretary (depending partly upon the particular official's position in the general structure). A few of the Divisions are headed by middle grade officers, known as Directors, who work generally in association with other senior officials. The full-time Members of the Planning Commission
assume responsibility for the day-to-day work of particular Divisions or Sections, although the Commission functions as a body and tenders advice jointly on all important policy matters. The various Divisions may be divided broadly into two categories—
(a) General Divisions which are concerned with certain special aspects of the entire economy and (b) Subject Divisions which are concerned with specified fields of development. The Planning Commission has a Division for Perspective Planning which is expected to provide general guidance for work on long-term development which is undertaken in detail in the different Divisions. Coordination of work and operations within the Planning Commission is undertaken by a Plan Coordination Section which functions under an Additional Secretary, an officer charged in effect with the duties of Secretary in view of the fact that the position of Secretary is formally held by the Cabinet Secretary who has a wide range of other important duties within the structure of the Government.

7. The General Divisions at present within the Planning Commission are:


(2) Perspective Planning Division.

(3) Labour and Employment Division.

(4) Statistics and Surveys Division, which forms also an integral part of the Central Statistical Organisation.

(5) Programme Administration Division, which coordinates and follows up the plans of States and serves three high-level officers known as Advisers, Programme Administration, who keep in touch with the problems of groups of States and report on the progress of their development plans. The Division is also responsible for coordinating action within the Planning Commission regarding the development of the more backward areas within different States.
(6) Resources and Scientific Research Division which is responsible (in cooperation with the Subject Divisions) for organising studies relating to land, forest, water, energy and mineral resources in the context of plan for long-term economic development, and serves the Committee on Natural Resources.

(7) Office of the Research Programmes Committee, which also serves as the office of the recently formed Committee on Research in Planning and Development, through which the Planning Commission and five leading research institutes are collaborating in basic studies relating to planning and development, and

(8) The Plan Coordination Section.

8. The Subject Divisions at present are:

(1) Agriculture Division which also includes Cooperation and Community Development,

(2) Irrigation and Power Division,

(3) Land Reforms Division,

(4) Industry and Minerals Division which has separate units for Industries, Minerals and Public Enterprises,

(5) Village and Small Industries,

(6) Transport and Communications Division,

(7) Rural Works Division, which is concerned with local development works (involving self-help at the local level and the rural works programme for the better utilisation of rural manpower resources, for which the Planning Commission is at this stage the implementing agency,

(8) Education Division,

(9) Health Division,

(10) Housing Division, which is also responsible for urban development,

(11) Social Welfare Division, which is concerned also with the Welfare of Backward Classes,
9. Within the general organisation of the Planning Commission, the Programme Evaluation Organisation has functioned since 1952 as an independent agency for evaluating in particular rural development programmes at the field or community level. The Programme Evaluation Organisation has about 40 evaluation units in different parts of the country and is increasingly devoting itself to studies and investigations bearing on specific problems. Recently, it has also begun to provide current economic reports on prices in rural areas. Its work is guided by an Evaluation Advisory Board which has been set up by the Planning Commission.

10. Closely associated with the Planning Commission is the Committee on Plan Projects (COPP) which is a Committee of the National Development Council. This body was set up in 1956 and has undertaken studies of various specific problems through specially appointed teams with a view to evolving methods and techniques for raising levels of efficiency and achieving economies, particularly in construction costs. In future COPP is expected to devote its main attention to studies relating to management and administration and to economies in construction costs.

11. Divisions in the Planning Commission work with relatively limited staffs, partly because high-grade personnel are difficult to obtain and partly because the Planning Commission works closely with the Ministries and is in a position to draw fully upon their technical personnel and organisations. In fact much important work is undertaken jointly between the Planning Commission and the Ministries.

12. The States have Planning Departments which coordinate the work of other Departments for the preparation of development plans and present reports on the fulfilment of State Plans. The State Planning Department generally receives direction from a Committee of the State Cabinet and is also supported by the State
Statistical Bureau. Proposals for strengthening planning machinery at the State level through the setting up of State Planning Boards have been under consideration. State Governments will be called upon to play a key role in the preparation of the national long-term economic development plan and successful implementation of major national policy objectives calls for an organisation at the State level which can coordinate effectively and provide guidance to local democratic bodies and take a wider view of development than is generally possible for individual departments.

13. In its relations with States, the Planning Commission deals with the Chief Ministers on matters of policy, with the State Planning Departments on matters affecting detailed administrative coordination at the State level, and on specific issues with the State Departments or the Ministers directly concerned. The Planning Commission does not deal directly with enterprises or agencies subordinate to the State Government unless otherwise arranged for the limited purpose of obtaining information or undertaking special studies.

14. Non-Governmental organisations may be either organisations set up by or in association with particular government agencies or may be independent non-official bodies representing specific interests. Dealings with the former are normally through the appropriate government agencies but, with the latter, according to the nature of business to be transacted, communications may flow freely in either direction. Since the Plan as a whole and planning as an integrated activity are the concern of the Planning Commission as distinct from other agencies, in the eyes of the general public, the Commission has come to occupy a position of special responsibility for national development. 'Public cooperation' in national development is in fact one of a small number of fields in which the Commission has a specific quasi-administrative role.

15. Reference has been made earlier to the links forged between the Planning Commission and universities and leading research institutions through the Research Programmes Committee. Similarly, through the Committee on Natural Resources close relations now exist with the principal organisations engaged in scientific and technical investigations and surveys.
16. The Planning Commission has not directly undertaken provision of training facilities in the field of planning. However, one short-term course in planning was organised during 1962 for selected officials from the Central Ministries. Officials from the Planning Commission have assisted other institutions in courses on planning arranged by them. The question of instituting training courses in planning for the benefit of serving officials from the States and from the Ministries is presently under review. In the field of statistics, a number of courses are being provided by the Indian Statistical Institute. On certain aspects, e.g. work study programmes, the Committee on Plan Projects, in association with the Organisation and Methods Division of the Cabinet Secretariat, have organised special training courses. Experience indicates the need for well-designed specialised courses on planning being established as a permanent continuing arrangement.

**Some General Aspects of Plan Implementation**

17. The Five Year Plans have brought about significant changes in administrative practice, both at the Centre and in the States. Most of the activities of Ministries and Departments in the economic and social field, the policies pursued by them, their budgets and the tests of performance they must meet are related directly to the Plans. The Plans have greatly increased the tempo of activity in every field, have led to expansion of personnel, organisations and training programmes, and have added considerably to the administrative responsibilities of Ministries and Departments. Consequently, one of the main concerns of the Central and State Governments is to secure greater efficiency and speed in administration, improvement in methods and techniques and more systematic and continuing evaluation of performance.

18. In the scheme of planning in India, there is no sharp separation between the overall plan and steps to translate it into specific action to achieve the desired levels of investment and saving. In the process of formulating the plan, the obligations devolving on all concerned not only become clear but come to be accepted as definite responsibilities. If the scheme of allocations embodied in the plan is broadly adhered to in the annual plans (subject to adjustments which may be necessary from time to-
time), and resources are mobilised on the lines indicated in the Plan, the desired rates and pattern of investment and the desired rates of saving are also thereby ensured. This is in fact the normal situation, and deviations from the Five Year Plan are not only carefully followed but have to be suitably explained and justified within the Government and to Parliament and the State Legislatures as also to the general public. There is greater difficulty, however, in following through in detail the scheme of imports and exports envisaged in the Plan. The yearly forecast of the balance of payments, the six-monthly foreign exchange budget, the six-monthly import policy and the annual export plan are the main instruments employed but, inevitably, there are many uncertainties to be reckoned upon in this area, and there may be important deviations between the Plan and the actual performance, larger in fact than the overall magnitudes may suggest.

19. Responsibility for coordinating fiscal, monetary and exchange rates in keeping with the general requirements of the Plan belongs primarily to the department of Economic Affairs in the Ministry of Finance and is undertaken by that Department largely through and with the advice of the Reserve Bank of India. The Planning Commission keeps in touch with the broader developments in this field and considers issues of policy from time to time in consultation with the Ministry of Finance. In particular, the Planning Commission is associated in the consideration of questions relating to price policies.

20. When a Five Year Plan is approved, large parts of it are already carefully elaborated, but in the experience thus far, some parts of the Plan, including a proportion of the larger projects, are not at the time worked out in adequate detail. Consequently, the Plans have tended to be somewhat weak, at any rate in the industrial sector, in the technical and physical phasing of programmes and in mutual connections and phasing as between related targets of the Plan. These aspects are now receiving much greater study and will call increasingly for the employment of more complex tools of planning going well beyond the detailed studies now undertaken for the formulation of sectoral plans and their coordination inter se. The inter-industry studies and studies in the programming of enterprises in the public sector which have been
initiated recently should help in time to secure greater integration and continuity between different parts of the Plan as well as more rapid adjustment to the changing conditions and needs of the economy.

*Implementation of the Plan in Specific Sectors*

21. Each Five Year Plan devotes considerable attention to the appraisal of implementation in different sectors, the difficulties met with and the outstanding problems remaining to be solved. It is accepted practice in India to state these problems as far as possible with critical objectivity, so that the weak points are clearly identified and remedial steps are facilitated. Instead of going over ground already fully covered, for instance, in the Reports on India’s Second and Third Five Year Plans, it may be sufficient here to invite attention to the following problems of implementation, not touched upon in the preceding sections, to which continuing attention and study has to be given in the future:

1. Coordination between industry, transport and power,
2. Location and scale of enterprises and external economies in operation,
3. Programming of public sector enterprises,
4. Organisation of planning and fulfilment of targets and programmes in the private sector,
5. Fulfilment of targets in the export plan,
6. Issues affecting determination of wages,
7. Coordination of agricultural programmes in relation to utilisation of irrigation,
8. Coordination of land reform with agricultural credit and other agricultural programmes,
9. Extension and other community level programmes, and
10. Realisation of targets in the field of education and other social services.

The nature of the problems of implementation which have come up under each head may be briefly indicated. On each aspect new approaches are being constantly developed and, while
improvements are being secured, the problems continue to be
important and on their effective solution will depend the rate of
growth achieved by the economy as well as the returns realised
on investments undertaken through the Five Year Plans.

22. In a developing economy which has embarked on indus­
trialisation, failures in securing the necessary coordination and
synchronisation between the development of industry, transport
and power, may lead to imbalances, overruns and postponement of expected returns and benefits. They may also
lead to increase in the costs of investment and in foreign exchange
requirements. The problem is in part one of planning, in part of
implementation. In terms of planning, the conditions of effective
co-ordination are observed to be (a) adequacy of the plan tar­
ggets for transport and power, both overall and at the regional
level and (b) need for power and transport to be ahead of
requirements and, therefore, for advance and continues planning
as well as for longer-term plans. In terms of implementation,
the conditions are (a) execution of related plans strictly in accord­
dance with carefully worked out schedules and (b) efficient and
economic use of the available power and transport facilities.

23. The economics of many projects, both public and private,
is adversely affected by decisions affecting location and scale. For
public sector enterprises these aspects are gone into carefully by
special technical committees, but the results of studies may be
misleading if the preparation of a project is imperfect, the phas­
ing of different items of work is not worked out in sufficient detail,
and costs are under-estimated. There may also be problems of a
quasi-political nature which can be dealt with on objective criteria
only on the basis of systematic technical and analytical studies. To
maximise external economies from developments both in the
public and the private sector, it is necessary to evolve a broad
plan for industrial location and to guide industry accordingly.

24. Many public sector enterprises, specially in the industrial
and mineral fields, have not come up according to schedule. In
part this has been due to factors which may be outside Govern­
ment’s control, for instance, those concerned with availability of
foreign exchange and delivery schedules for equipment. In part,
however, there have been significant deficiencies in the initial programming. A project aimed at evolving suitable programming techniques for different kinds of enterprises is now under way.

25. Problems of development in the private sector cannot be dealt with only through the conventional method of industrial licensing. There are important measures for better management and planning to be taken not only by individual units but also by industries as a whole and under the progressive leadership and in cooperation with workers and the technical and managerial cadres. From this aspect importance attaches to the effective working of Development Councils constituted for various industries under the Industries (Development and Regulation) Act of 1951.

26. In licensing enterprises in the private sector, there are now two stages, one for the sanction of the industrial licence and the second for approval of foreign exchange for import of capital goods.* The interval between these two stages and between the second stage and the actual placing of import orders has been frequently so long as to lead to serious delays in achieving targets of capacity and production assigned by the Plan for the private sector. Cancellation of infructuous licences does not provide a sufficient sanction, nor succeeds in avoiding considerable delays. More positive methods of implementation need to be evolved. In view of the limitations of foreign exchange—limitations frequently greater than the Plan document could anticipate—priorities in the use and allocation of foreign exchange have to be enforced even as between private industries for which the Plan has indicated specific targets.

27. A variety of measures have been introduced and are being tried out in support of the export plan. These include incentive schemes (involving limited grant or retention of foreign exchange), export promotion bodies, supply of marketing information and other aid by the Government, tax relief etc. Greater attention is being given to pooling schemes within individual industries with a view to securing the export surpluses needed and assuring reasonable margins of profit to the exporting firms. The

*A recent change is first to issue a letter of intent.
study of industrial costs in selected export industries has also been initiated.

28. There have been comparatively few wage disputes since planning was undertaken. Questions relating to wage levels are being referred now to specially constituted tripartite wage boards (including representatives of labour, management and Government), and invariably agreed findings have been reported and the 'Government has' been able to take 'the necessary' decisions. Each such decision remains binding for a period of at least five years.

29. Lags in the utilisation of irrigation from large works, and in some cases from small works, have brought to the fore the entire question of coordination of programmes in the agricultural field, including coordination of works within individual irrigation projects and coordination between agricultural and other extension programmes and the timely and efficient use of the available facilities. The problems involved are receiving close attention and new approaches and techniques are being evolved.

30. Similar problems have been emphasised in the implementation of land reform programmes; these need strong support in terms of credit, marketing and extension if they are to yield their full benefits.

31. Since the extension services and the community development programmes were introduced about ten years ago, rich and diverse experience has been gained in the field of rural development and many important lessons have been noted. Special attention is now being given to intensive work in each area, provision of adequate resources including credit, importance of carefully tested technological improvements, need for well-trained personnel, efficient supplies assured prices and marketing and better planning and extension techniques at the local level so as to obtain the maximum participation of all cultivators.

32. The importance of developing human resources and creating the necessary social climate for rapid economic development has become increasingly apparent as implementation of the Five Year Plans has gone forward. The basic questions are (a) adequacy of the resources provided, (b) decisions as to priorities,
(o) importance of quality in training and supply of competent personnel and (d) effective participation by the local communities in implementing development plans and in sharing part of the burden of maintaining the new services. There are numerous problems of implementation in each specific field to which critical attention is now being given. A point to emphasise is the high degree of interdependence both between the various social services \textit{inter se} and between the successful implementation of the social and the economic development plans in each area.

33. In relation to the broader problems of Plan implementation, pricing policies in key sectors of the economy such as steel, coal and electricity are at present under examination. In major public sector enterprises also, increasing attention is now being given to pricing policies and financial plans and procedures adopted by them.
IV

**APPRAISAL OF PROGRESS**

An important function entrusted to the Planning Commission by its terms of reference is "to appraise from time to time the progress achieved in the execution of each stage of the Plan and to recommend the adjustments of policy and measures that such appraisal may show to be necessary". There are three main problems in securing an adequate and up-to-date assessment of progress. Firstly, there must be well-established operational programmes and schedules against which progress can be judged. Secondly, for each sector a system of statistical and other returns must be instituted on the basis of which the responsible authorities may report at regular intervals, adding to their reports a certain qualitative assessment. Thirdly, there should be the minimum time-lags, and a system of shorter-term reporting should also be built in, so that remedial steps can be taken and problems anticipated at an early enough stage. Efforts are under way in each of these directions, but it must be acknowledged that the existing arrangements have to be strengthened considerably.

2. Appraisal of progress must be made at several levels and specially on the part of (a) the project or programme authorities in charge of execution, (b) the Ministry or Department concerned (Central or State), and (c) the Planning Commission. Of these, (a) constitutes the foundation and, in the light of experience, it is at this point that efforts are now being concentrated, for instance, by way of improvements in the forms used for reporting and identification of the key factors on which reporting can be most meaningful. Reports to the project authority must be at short intervals, such as a month, split into still shorter intervals. Next in frequency would come the reports to the Ministry or Department concerned. For the Planning Commission, for most purposes, it is sufficient if annual reports are supplemented by quarterly reports on important projects and important schemes and by six-monthly reports in other cases.
3. The Planning Commission reviews the anticipations of each Ministry/Department for the current year when proposals for the following year's annual plan come up for consideration during the period November-December each year. When the annual plan has been translated into budgetary allocations, the Planning Commission asks for a considered progress report in the preceding year, both from Central Ministries and the States. These reports enable the Planning Commission to draw up its Progress Report for the preceding year. It is considered important that the annual Progress Report should become available within, say, four months of the close of the year and should provide an objective assessment of achievements and shortfalls against the planned programmes as also qualitative judgements on matters of general policy. The Planning Commission's overall report has necessarily to be in fairly broad terms. It is supplemented by more detailed reports by individual Central Ministries and by State Governments concerning development programmes in their respective fields. On the larger economic aspects, the appraisal is largely based on the Economic Survey presented by the Minister of Finance with the annual budget and the annual report on Finance and Currency prepared by the Reserve Bank of India.

4. Existing arrangements for reporting on progress in the private sector as a whole and, more especially, on the corporate sector, leave much to be desired. It is considered that the more important investment projects in the private sector should be followed up, though of course in much less detail, equally with projects in the public sector. There is need also to secure more systematic appraisal of the extent of utilization of existing industrial capacities and of progress in the application of import substitution policies. On the other hand, arrangements for reporting on production trends and on profits and financial aspects have been improved markedly in recent years.

5. On specific problems connected with the implementation of the Plan, studies undertaken by the Programme Evaluation Organisation and by special teams constituted by the Committee on Plan Projects throw much valuable light. These studies are undertaken with the definite object of identifying factors accounting for
delay, inadequate performance or high costs and assist in evolving proposals and techniques for lessening the deficiencies. Research studies undertaken by independent scholars, especially those sponsored by the Research Programmes Committee, have an important contribution to make, in particular in revealing difficulties in implementing various social and economic policies and in providing reliable quantitative data for representative situations and areas.

6. In the third year of the Second Plan the Planning Commission prepared a report appraising performance in different sectors and pointing to further action. A similar appraisal is being undertaken in relation to the Third Plan.

7. At the end of each Five Year Plan the Planning Commission publishes a comprehensive Review for the plan period as a whole, giving the facts of development and its assessment of the difficulties and drawbacks met with as well as a statement of the lessons and inferences which may be drawn. Such a Review for India’s Second Five Year Plan is presently under preparation.
ANNEXURE I

INDUSTRIAL POLICY RESOLUTION

SCHEDULE A

1. Arms and ammunition and allied items of defence equipment.

2. Atomic energy.

3. Iron and steel.

4. Heavy castings and forgings of iron and steel.

5. Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government.

6. Heavy electrical plant including large hydraulic and steam turbines.

7. Coal and lignite.


9. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.

10. Mining and processing of copper, lead, zinc, tin, molybdenum and wolfram.


12. Aircraft.


15. Ship building.

16. Telephones and telephone cables, telegraph and wireless apparatus (excluding radio receiving sets).

17. Generation and distribution of electricity.
Schedule B

1. All other minerals except "minor minerals" as defined in Section 3 of the Minerals Concession Rules, 1949.

2. Aluminium and other non-ferrous metals not included in Schedule 'A'.


4. Ferro-alloys and tool steels.

5. Basic and intermediate products required by chemical industries such as the manufacture of drugs, dyestuffs and plastics.

6. Antibiotics and other essential drugs.

7. Fertilizers.

8. Synthetic rubber.


10. Chemical pulp.

11. Road transport.

12. Sea transport.
Functions which may be assigned to Development Councils:

1. Recommending targets for production, co-ordinating production programmes and reviewing progress from time to time.

2. Suggesting norms of efficiency with a view to eliminating waste, obtaining maximum production, improving quality and reducing costs.

3. Recommending measures for securing the fuller utilisation of the installed capacity and for improving the working of the industry, particularly of the less efficient units.

4. Promoting arrangements for better marketing and helping in the devising of a system of distribution and sale of the produce of the industry which would be satisfactory to the consumer.

5. Promoting standardisation of products.

6. Assisting in the distribution of controlled materials and promoting arrangements for obtaining materials for the industry.

7. Promoting or undertaking inquiry as to materials and equipment and as to methods of production, management and labour utilisation, including the discovery and development of new materials, equipment and methods and of improvements in those already in use, the assessment of the advantages of different alternatives and the conduct of experimental establishments and of tests on a commercial scale.

8. Promoting the training of persons engaged or proposing engagement in the industry and their education in technical or artistic subjects relevant thereto.

9. Promoting the retraining in alternative occupations of personnel engaged in or retrenched from the industry.
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(10) Promoting or undertaking scientific and industrial research, research into matters affecting industrial psychology and research into matters relating to production and to the consumption or use of goods and services supplied by the industry.

(11) Promoting improvements and standardisation of accounting and costing methods and practice.

(12) Promoting or undertaking the collection and formulation of statistics.

(13) Investigating possibilities of decentralizing stages and processes of production with a view to encouraging the growth of allied small scale and cottage industries.

(14) Promoting the adoption of measures for increasing the productivity of labour, including measures for securing safer and better working conditions and the provision and improvement of amenities and incentives for workers.

(15) Advising on any matters relating to the industry (other than remuneration and conditions of employment) as to which the Central Government may request the Development Council to advise and undertaking inquiries for the purpose of enabling the Development Council so to advise, and

(16) Undertaking arrangements for making available to the industry information obtained and for advising on matters with, which the Development Councils are concerned in the exercise of any of their functions.