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GOVERNMENT OF INDIA



ADMINISTRATIVE REFORMS COMMISSION

REPORT  
ON  
MACHINERY  
FOR  
PLANNING

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**CHAIRMAN**  
Administrative Reforms Commission  
Government of India  
Sardar Patel Bhavan,  
New Delhi  
March 14, 1968

My dear Prime Minister,

I am herewith presenting to you the final report on the Machinery for Planning. In making our recommendations, we have made use of the final report of the Study Team on the subject. A copy of this report is enclosed. We have also had the benefit of the views of the present Deputy Chairman of the Planning Commission and some of his colleagues. Our thanks are due to them all.

2. The Government of India have accepted the recommendations made in our earlier report that the Planning Commission should be an expert advisory body, freed of all its functions executive in character. In this report, we have made recommendations on the role of the Planning Commission *vis-a-vis* the State Planning Boards and the Central Ministries. This will further reduce the work load of the Planning Commission. We have also suggested that the Commission should renounce all extraneous work and rationalise its internal organisation and planning methods and procedures.

3. The present sanctioned strength of the Planning Commission, including its attached offices, is 446 gazetted officers, 990 non-gazetted officers and 380 other staff, making a grand total of 1,816. Though the actual number of persons in position is about 200 less, even then the number is obviously too large. This year, its budget estimate is Rs. 1 crore, 58 lakhs and 99 thousand. This is unreasonably excessive. Its work is of a highly intellectual type. To give it the shape and pattern of a Secretariat Department will be to distort its purpose and working. It must function as a Commission and not as a Secretariat. More than half of the Commission's strength is accounted for by the Secretariat and administrative personnel. With the setting up of Planning Boards in States and Planning Cells in the Central Ministries, as recommended by us, the work of detailed sectoral planning will devolve on those agencies. The Commission will also give up several items of existing work which are not germane to its role. The delineation of the Commission's functions, as proposed by us, must necessarily result in considerable reduction of its expenditure and personnel. The present size and expenditure of the Commission, whatever might have been the justification earlier, can no longer be defended. Reduction, therefore, has to be effected with determination. My own

impression is that the Commission can very well work with about half of its present staff strength. The Planning Commission itself is seized of this problem. I hope that the Commission will effect such reduction notwithstanding any likely pressures from its bureaucratic organisation to perpetuate itself.

4. The allocation of Central assistance for State Plan Schemes is now determined in accordance with a detailed matching pattern which sets forth the scale on which the Centre's assistance will be available to each type of scheme. Among the consequences of linking the assistance to a matching pattern, the most undesirable one is the distortion of priorities of the State Plan Schemes and the erosion of the initiative of the States in the determination of their Plan programmes according to their concepts of local needs and capacities. In the altered pattern of different political parties forming Ministries in the States, a reorientation of the planning methods and procedures has become more necessary than in the past. We have, therefore, recommended the abolition of the matching pattern in determining the grant assistance to State Plan Schemes. Out of the total amount available in the shape of plan grants, a specified sum may be tied to schemes of basic national importance and the balance should be available to the States to be spent on approved schemes in whatever order of priorities they may choose to adopt.

5. We have recommended that Development Councils consisting of representatives of Government and Private Sector should be required to assist the Planning Commission by preparing their own five-year schemes and projects on the basis of the general guidelines indicated by the Planning Commission. They should also be associated with the Annual Plan discussions concerning the industrial programmes. We believe that having adopted the policy of mixed economy, it follows that the Private Sector should be given opportunity for meaningful participation.

6. Selection of personnel of the right type and calibre is the *sine qua non* for good planning. We have, therefore, recommended that standing panels of names of persons best qualified for planning work should be prepared by a special committee constituted for the purpose, and that outstanding work done in the Commission should receive special recognition in selection for higher appointments.

7. Another important function of the Planning Commission is the appraisal of the progress of the Plan and the evaluation of results. We have, therefore, recommended the establishment of a separate Evaluation Wing for this purpose in the Planning Commission, to be placed directly under its Deputy Chairman.

8. Parliament should more effectively exercise its power of control and supervision over performance of Plans. Progress and evaluation reports

should invariably be placed before Parliament. A Committee of Parliament may be constituted to go into these reports in detail. This Committee may have about 25 Members of Parliament including Leaders or Deputy Leaders of the various political parties.

9. The above recommendations will *mutatis mutandis* apply to Planning in the States.

Yours sincerely.

Sd :

K. HANUMANTHAIYA

Smt. Indira Gandhi,  
Prime Minister of India,  
New Delhi.

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# CHAPTER I

## INTRODUCTORY

We dealt, in our Interim Report on the Machinery for Planning, with some aspects of the problem of reorganising the Planning Commission, namely, its set-up, the distribution of work among its Members, the role of the National Development Council and the constitution of Planning Boards in the States for the formulation of Plans and evaluation of their performance. We also briefly touched upon the Planning Commission's relationship with the Central and State Governments and upon the organisation of the Secretariat of the Commission. As the purpose of our Interim Report was to assist the Government in its immediate task of taking decisions about the reconstitution of the Planning Commission, we had to leave over for consideration in a later report several other matters connected with the Machinery for Planning. While we do not intend to go over the ground afresh on matters which we have already dealt with in the Interim Report, it has become necessary on further consideration to supplement some of the recommendations made earlier by us.

2. In dealing with the issues considered in this report we have made full use of the final report of the Study Team on the Machinery for Planning presided over by Shri R. R. Morarka. We had also the benefit of the views of the Study Team on Financial Administration presided over by Shri B. Venkatappiah and the Study Team on Centre-State Relationships presided over by Shri M. C. Setalvad, which dealt with certain issues relating to planning covered by their terms of reference. We are thankful to the Chairman, Members and Secretaries of all the three Study Teams.

3. The functions and the organisational structure of a planning agency as also the planning procedures are determined largely by the national approach to planning. The Constitution of India lays down the broad framework within which the national planning must operate. It enunciates certain directive principles of State policy which set out the national socio-economic goals. Economic planning in India has come to be viewed as an attempt at accelerating the rate of economic growth as well as development of human faculties and building up of an institutional framework adequate to the needs and aspirations of the people.

4. The scope of planning in India thus covers a wide area of activity in the social as well as economic sphere. The planning effort needs to be regulated by the requirements of democratic processes as well as of the Centre-State relationship and the citizens' fundamental rights enjoined by the Constitution. Planning has to be consistent with our way of life, resources and needs. Another important factor is the nationally accepted

concept of mixed economy of public and private sectors working in harmony for national prosperity. Thus, while on the one hand, our planning has to be much more comprehensive than the 'indicative' type in vogue in some countries, it cannot, on the other, be of the 'total' variety adopted by totalitarian countries.

5. It is, therefore, inevitable that our planning should, on one side, be decentralised to a greater extent than one would allow on a theoretical consideration and depend for its success on the support and participation of several agencies. On the other, it needs to be centralised to ensure co-ordination, proper allocation of resources and full attention to national needs and objectives. Besides, planning for a country of India's size and diversity cannot be left to be organised, supervised and controlled by a single group at the Centre, however gifted the members of that group might be. The various agencies involved in the planning process should be well organised, their roles should be clearly defined, and their inter-relationship should be properly established and made fruitful through an efficient system of communication. Similarly, adequate consultation must be provided for between the Planning bodies, Central Ministries and Departments and State Governments and representative bodies of private sector. This involves streamlining of precedures, clear definition of responsibilities and functions and proper delineation of purposes of deliberation or consultation. Unless all this is done, the existing considerable duplication and waste of effort will continue, leading to conflicts which may seriously affect the pace and success of the planning process. It is to the consideration of these essentials that we address ourselves in this final report on the Machinery for Planning.

6. We have already recommended in our Interim Report that the Planning Commission should exclusively be an advisory expert body which should be able to exercise its judgment in plan formulation uninfluenced by extraneous considerations. If the Commission is to be really effective in such a role, it must confine itself to broad aspects and not go into details of plan programmes and schemes. These details should be left to the concerned Central Ministries, Departments of State Governments and other executive agencies.

7. The recent changes in the pattern of political power in the States emphasise the need for a greater decentralisation of planning in certain areas. Planning in those fields of development in which it can be more advantageously organised, supervised and implemented at the State and lower levels should be the responsibility of the State Governments. The State Governments must have proper machinery for formulation of their plans based on their resource potential and needs, and for the appraisal of plan performance. Our recommendations concerning the establishment of the State Planning Boards, made in our Interim Report and elaborated in



the present report, are aimed at improving the planning process in the States. It must, however, be ensured that the States formulate and execute their plans within the framework of the national priorities.

8. The implementation of the Plan schemes and projects has, in the past, suffered a good deal from the lack of attention to their detailed planning and phasing. It is, therefore, necessary that the Central Ministries and Departments of State Governments should work out in fuller detail the administrative and operational implications of each programme and scheme and ensure their proper phasing. The existing arrangements within the Government Departments in regard to programme planning and management would have to be considerably improved. We are convinced that unless this is done, the implementation of schemes and projects will continue, as in the past, to be unsatisfactory in certain areas and the full-fruits of planning will not be reaped.

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## CHAPTER II

### PLAN FORMULATION

#### **The Present Plan Procedure and its Shortcomings**

9. The formulation of a Five Year Plan is a time-consuming and complex process. The National Development Council, the Planning Commission together with its Working Groups and the Advisory Panels, the Ministries of the Central Government, State Governments and above all, Parliament are all involved in this common endeavour. Association with the private sector is secured through various Development Councils and representatives of commerce and industry.

10. The process of formulating the Five Year Plan, as it has evolved over the years, has four stages. During the first stage which begins about three years before the commencement of the new Plan, studies are undertaken to examine the state of the economy and to identify the principal social, economic and institutional shortcomings. Tentative conclusions reached as a result of these studies help formulate the general approach to the next Five Year Plan. These are submitted by the Commission to the Central Cabinet. They are then placed before the National Development Council which indicates the rate of growth and the broad priorities to be assumed for the purpose of further work on the preparation of the Plan.

11. In the second stage, an attempt is made to work out the general dimensions of the Plan in the light of the tentative rate of growth indicated by the National Development Council. While necessary studies for this purpose are under way within the Commission, a number of Working Groups, composed of officers of the Commission and the concerned Ministries at the Centre, are set up. The State Governments are also advised to set up their own Working Groups which are expected to remain in informal contact with their counterparts at the Centre. While the studies of the various Working Groups are in progress, the Commission seeks the advice of leading non-official experts, through its various advisory Panels/Committees on the broader aspects of policy and the approach to the formulation of the Plan.

12. The second stage ends with the preparation of a Draft Memorandum which outlines the main features of the Plan under formulation. The Memorandum is also expected to pose the main policy issues requiring consideration at the highest level. The practice, so far, has been to indicate at this stage no more than a mere outline of the magnitude of the task envisaged for the private sector. The Draft Memorandum is presented to the Central Cabinet and then placed before the National Development Council.

13. In the third stage, work is directed towards the preparation of the Draft Outline of the Five Year Plan in the light of the observations made by the National Development Council on the Draft Memorandum. The Draft Outline is an elaboration of the Memorandum and seeks to give broad features of the various sectoral programmes and to spell out the principal policy measures needed to carry them out. The Outline is commented upon by the States and the Central Ministries before it is submitted to the Central Cabinet and the National Development Council. The Outline as approved by the Council is circulated for public discussion. It is considered by an Informal Consultative Committee of Members of Parliament as also by Parliament as a whole.

14. The fourth stage relates to the preparation of the final report on the Five Year Plan. The Planning Commission, in association with the concerned Central Ministries, holds detailed discussions with State Governments regarding their Plans. Estimates of resources likely to be available and measures for mobilisation of additional resources as well as proposals for sectoral programmes of the States are discussed both at the official and the political levels before conclusions are arrived at. Discussions are also held with representatives of major organised industries in the private sector through various Development Councils as well as Chambers of Commerce and Industry.

15. In the light of the points thrown up during all these discussions, the Planning Commission prepares a paper bringing together the principal features of the Plan, the policy directives to be stressed and the issues which may require further consideration before the Plan is finally drawn up. The paper is submitted to the Central Cabinet and the National Development Council. The final report on the Plan is based on the conclusions reached on this paper. A draft of the final report is considered by the Central Ministries and the State Governments and it is then submitted for approval to the Cabinet and the National Development Council. Thereafter, it is presented to Parliament for discussion and approval.

16. For effective implementation of the Five Year Plan, it is necessary to frame annual development programmes within the framework of the overall Plan. These are included in the annual budgets of the Central and State Governments. The preparation of the annual budgets also affords an opportunity for reviewing the adjusting the broad annual phasing indicated in the Five Year Plans. Annual planning provides for flexibility in the implementation of plan programmes in accordance with the development of the economic situation from time to time.

17. The work of the preparation of an Annual Plan is undertaken in the Planning Commission round about August or September each year. The different Divisions of the Planning Commission carry out exercises

for evolving tentative picture of the tasks envisaged for the next year keeping in view the achievements of the previous year, the progress in the current year and the total effort needed for the remaining period of the Plan. Simultaneously, the Economic Division of the Planning Commission carries out studies to find out the financial resources which could be available for the Annual Plan. A similar assessment is also made in the Ministry of Finance. The provisional estimates of the Ministry of Finance and those of the Economic Division of the Planning Commission are discussed and a tentative estimate is made of the total financial resources which would be available for developmental needs in the next year. A broad agreement on the quantum of total Central assistance to be given to the States is also arrived at. The Planning Commission then communicates to each State the general guidelines for the formulation of the Annual Plan for the following year, indicating also the provisional figure of Central assistance. The States are requested to furnish along with their plans their estimates of their financial resources as well as proposals for mobilisation of additional resources.

18. The next stage consists of discussion with individual State Governments on their annual plan proposals. According to the practice so far prevalent, the resources position is first discussed in a special Working Group a day in advance of the discussions on plan programmes and schemes for different sectors. This Working Group consists of officers of the Ministry of Finance, Planning Commission and State Governments. Proposals for individual sectors are formulated by a number of sectoral Working Groups. These Groups are usually headed by senior officers of the Ministries concerned and include representatives of the State Government, Planning Commission and Central Ministries. All the Groups first meet together under the chairmanship of the concerned Programme Adviser of the Planning Commission. He gives them an idea of the financial resources which would be available to the State for the next year's Plan. The proposals of the individual Working Groups are to be accommodated within their overall figure. The meeting then splits into different sectoral Working Groups. Their proposals are first submitted to the Programme Adviser. These proposals as well as the Programme Adviser's comments thereon are discussed in a meeting of the Planning Commission which is attended by the Chief Minister of the concerned State. In this meeting a final view is taken on the State's Plan for the next year, the quantum of Central assistance and the State's own financial effort.

19. At the Centre, the work on the Annual Plan is linked with the preparation of the Capital Budget. The next year's Plan for the Central sector is prepared in consultation with individual Ministries concerned. There are, however, no working groups for the finalisation of the Plan for the Central sector.

20. Though, during the last eighteen years considerable strides have been made in developing planning methods and procedures, there is need

for their improvement in several respects. A major shortcoming relates to the posing of alternative approaches to development and explaining to the decision making authorities the implications of each such alternative. It is also important to have an adequate long-term perspective of development in order to avoid imbalances in the economy and breaks in continuity. Perspective planning attempted so far has, however, suffered from a number of deficiencies and considerable reservations have been expressed in certain quarters about its value.

21. The composition as well as the manner of functioning of the Working Groups and the advisory bodies need to be improved. Again the present system of annual plan discussions is too elaborate and too much centralised. In the earlier days of planning, when the States as well as the Central Ministries did not have sufficient planning experience, it was natural for the Commission to assume responsibility for detailed planning. But such an arrangement should no longer be necessary in the changed conditions of to-day.

22. Another weak link in our planning process is the nebulous relationship between planners and the private sector. We have not succeeded in involving the private sector in the planning process in a meaningful manner.

23. The whole basis of plan assistance to States is another area which calls for a fresh examination. The pattern of outlays and priorities set by the Centre, in combination with the present form of Central assistance to States, is said to have led to the deployment of resources in ways not best suited to their individual and varying potentialities. Local needs and aspirations are also bound to vary from region to region and these have to be allowed a fuller play in planning for different areas. The Fourth General Election has brought about changes in the party pattern of the Governments in the States. There is Government of one party at the Centre and of other parties in some States. Even when the same party was in power both at the Centre and in the States, it was strongly felt that the States should have greater freedom of choice and flexibility in the matter of planning. The need for providing such freedom and for suitably revising the scheme of Central assistance has become all the more imperative today.

24. The organisation of the Planning Commission itself has come in for a good deal of criticism on various grounds. It has been pointed out that the Commission is over-staffed, has over-stepped the limits of its basic role in the planning process and has taken on certain responsibilities which are not germane to its terms of reference. It has also got involved in implementation and day-to-day executive decision-making.

25. The present methods of progress reporting and evaluation of plan performance are also defective. It is axiomatic that the preparation of plans, both five year and annual, must be preceded by a careful appraisal

of the plan performance in the earlier years. Our record in this regard has not been satisfactory.

### **Guidelines for Plan Formulation**

26. The central objective of planning is to achieve rapid economic development which means the attainment of a sufficiently high rate of growth. The rate of growth depends to a large extent on the proportion of its national income that a community can divert from consumption to investment. It is relevant in this connection to note that in India millions live in sub-standard conditions and there is a limit below which living standards cannot be allowed to fall. In fact, it even becomes necessary to specially provide for improvement in the living conditions of the weaker sections of the community. Further, a consciously carried out programme of redistribution of incomes to prevent concentration of wealth can to an extent adversely affect the quantum of savings available for development. Creation of the largest possible employment opportunities and balanced regional development which are the accepted elements of our socio-economic policy can in the short-run lead to our attaining a lower rate of economic growth. Balancing of a number of such competing objectives, though a difficult task, is the very essence of planning.

27. External resources have also a bearing on development. Their size will depend first on the quantum of the external aid that may be forthcoming; and secondly, on the balance of payments position. While the former is largely beyond the control of the Government, there is scope for manoeuvrability as regards the latter by reduction of imports and expansion of exports. Both these will involve a certain amount of discipline on the part of the community. The extent to which the community will be prepared to undergo hardships for the sake of posterity is bound to determine the character and size of the National Plan. In the last analysis this involves the ability of the Government to make the Plan acceptable to the people and to implement it. The final responsibility for the Plan must therefore devolve on the Government backed by political strength and its hold over popular opinion. This requires that before an expert advisory body like the Planning Commission actually begins to formulate its Plan in detail, it should have some indication of the mind of the Central and State Governments as to the extent to which they would be prepared to go in the discharge of that responsibility, particularly in matters which would involve sacrifices on the part of the people.

28. It was in this context that we had included as one of the functions of the National Development Council the laying down of guidelines for the formulation of the National Plan. It is necessary that these guidelines are available as soon as the broad aspects of the basic factors of the next Plan can be brought out and preliminary procedures of planning for the next period reach a stage when broad decisions can be taken on basic

factors such as the rate of growth, the needs which the Plan has to fulfil, the conditions and resources necessary for such fulfilment, the manner in which the conditions have to be brought about and resources, both internal and external, are to be mobilised, the extent to which the life of the community would have to be regulated and the sacrifice and discipline that would be involved. Obviously, at this stage a measure of flexibility would not only be inevitable but also necessary. In seeking the guidelines from the National Development Council at this stage, it would be necessary for the Planning Commission to give a clear picture of its own mind about the broad features of the next Plan. At the same time, it should also indicate reasonable alternative approaches out of which the National Development Council can make a choice in accordance with its appraisal of the extent to which the country will go, above or below the level of effort called for by the Planning Commission's proposal.

### **Recommendation 1**

**We recommend that the Planning Commission when seeking guidelines from the National Development Council for the formulation of the National Plan should give a tentative framework of the Plan considered feasible by it and also indicate other alternative approaches calling for different degrees of effort. The basic factors involved such as the rate of growth, the resources required and the sacrifices involved should clearly be brought out. Detailed work on the formulation of the Plan should proceed in the light of the guidelines given by the National Development Council.**

### **Perspective Planning**

29. The need for a perspective of development was recognised almost from the very inception of planning. The First Plan attempted a broad perspective in terms of projections of national income, investment and aggregate consumption, and pointed out that given a continuity of effort in terms of certain assumptions made, the country's national income would in 1971-72 be double that in 1950-51. The Second Five Year Plan gave a revised perspective, again only in broad terms. Since then the techniques of perspective planning have been gradually improved. As a result of a number of studies undertaken by its Perspective Planning Division, the Commission brought out in September 1966 a document entitled "Material and Financial Balances" which sets forth the inter-related material balances for the periods, 1964-65 to 1970-71 and 1970-71 to 1975-76.

30. Perspective planning as attempted so far has come in for considerable criticism in certain quarters. It has been said that in the present state of our economy and with inadequate knowledge of the future possibilities it is extremely difficult to forecast for a long period; that the

imponderables involved are many and that it would be preferable to restrict ourselves to short-term projections. It has been said that the attempt to look far ahead and plan accordingly has been responsible for certain distortions that have taken place in our economy. It has also been suggested that the projections of perspective planning for the Third Plan period have not come out to be true and could well have misled public opinion. It has, therefore, been held by some that the whole exercise was futile and not worth the effort.

31. We do not subscribe to all this criticism of perspective planning. An excellent idea need not be jettisoned merely because the handling of it has not been satisfactory. Lessons should be learnt from the mistakes of the past so as to evolve a system of perspective planning which would not give rise to any undesirable consequences. In our view, it is necessary that we should retain a long-term perspective when we plan for a short-term. However, long-term planning involves so many imponderables and unpredictable factors that it would be impossible to avoid deviations, adjustments and even revision. In the circumstances, it cannot be, as is popularly construed, a plan but only a perspective of objectives and assessment of possibilities in realising them. Such a perspective should not merely be a statistical exercise in projections but a realistic assessment of needs over a long period and of the probability of fulfilling these needs having regard to relevant practical considerations.

32. While it might be possible to think in terms of a five-year period for certain areas of development, a vision with a longer range is necessary when we consider areas like power and other basic industries where the gestation of the projects may extend well beyond one plan period. If decisions regarding the undertaking of such big projects are not taken keeping in view the longer perspective, imbalances are bound to develop which might seriously jeopardise the smooth course of development. It is therefore necessary that when the Planning Commission lays down firm and clear lines of a Five Year Plan it should have before it a perspective of development over a longer period. We would not, however, like to lay down a rigidly uniform period applicable to all sectors of the economy for formulating a perspective. In some cases it may suffice to visualise the course of development over ten years, in some over fifteen years and in others again over even a longer period. It is obvious that this talk of perspective planning cannot be attempted single handed by a central planning agency. Other agencies especially those engaged in the survey of natural resources and in technological improvements should also be fully utilised.

## **Recommendation 2**

**We accordingly recommend that when the Commission lays down the lines of a Five Year Plan, it should have before it a perspective**



of development over a longer period. The period may be different for different sectors of the economy, ten years for some, fifteen years for others and even a longer period for some others.

### The Rolling Plan

33. The Study Team on the Machinery for Planning has recommended that an interim Five Year Plan should be prepared by the time half of the five-year period is over. This interim Plan is to be set within the wider framework of a fifteen year plan and is to cover the balance of  $2\frac{1}{2}$  years of the current Plan and  $2\frac{1}{2}$  years of the next Five Year Plan. It is to be based on the assumptions and policies underlying the current Plan. The idea is to make the Five Year Plans roll on within a fifteen-year perspective.

34. While in theory, we agree that an exercise of this kind might be useful, we feel that it would not be worth the effort involved and might even lead to some confusion and uncertainty in the public mind. By the time this exercise is completed, hardly much progress would have been made in the current Plan, considering that most of the progress is normally made in the last three years of the Plan. It would be difficult, if not impossible, to make any reasonable forecast on basic factors in respect of the next Plan when the full effect of the current Plan is not known and cannot be forecast with accuracy. We, therefore, do not accept this recommendation.

### 'Core' Plan

35. It has been suggested that in view of the uncertainty regarding the availability of foreign exchange and the turnout of crop harvests, the Planning Commission should prepare variants of the Plan based on different assumptions regarding these two uncertain elements. This process of producing variants is linked up with the concept of a 'Core Plan'. It is argued that it would be better to think about such a 'Core Plan' at the time of plan formulation than when overtaken by conditions of crisis.

36. The concept of a 'Core Plan' came up during the Second Plan in 1957-58 when the country was faced with an acute foreign exchange crisis. It seems to us that the idea of a 'core' is linked with the fear of a sudden stoppage or drastic reduction in external assistance. This itself is a sufficient justification for taking a second and closer look at the role of external assistance in the scheme of our planned development. It is, however, in itself a subject for a deeper study. Whatever be the quantum of external aid considered necessary, the approach should be to take cognisance of only that amount of external aid that can reasonably be assumed to be forthcoming and include projects in the Plan accordingly. After all planning can proceed only on the basis of reasonable assumptions and can hardly take into account a sudden stoppage of external aid owing to such contingencies as outbreak of hostilities. In such an eventuality, the 'core' would mean only what we can do on our own. Contingencies like the failure of monsoons are

a cyclical feature and good planning must *ab initio* take them into account. A contingency like the country's involvement in a war only underlines the importance of the productive apparatus being such as to be capable of being geared at short notice to meet the needs of the war effort. But that is altogether a different consideration and hardly calls for a 'Core Plan'. Diversion of resources to defence purposes would automatically mean a certain cutting down of developmental expenditure. However, this would have to be done in the light of the stage of execution of individual projects and programmes. Continuing schemes cannot be dropped and resources for them will have to be found. The new schemes may in any case have to be deferred.

37. We could also approach this issue from another angle. In Indian conditions we are bound to undertake the maximum effort possible, which, in effect, could be regarded as the 'core'. At the same time, a number of well prepared projects should be kept ready so that some of them can be undertaken if more resources than originally anticipated are forthcoming. There is a danger that the provision of a 'core' in the Plan itself might create a feeling in the country that an effort of the level corresponding to the 'core' would suffice, or that if the full effort does not materialise there would be no harm done since the minimum would be attained in any case. Moreover, we feel that the scheme of priorities which is an essential feature of planning should enable the Commission to prune the Plan suitably if any unforeseen contingencies cause a substantial jolt to it.

### Recommendation 3

**We, therefore, recommend that the Five Year Plan should take into account only such foreign aid as can be reasonably assumed to be forthcoming. It should also take into consideration internal contingencies like failures of monsoons which are a normal cyclical feature. There is no need for any separate 'Core Plan'. The entire Plan should provide for the maximum possible effort, based on a realistic assessment of resources.**

### Role of External Assistance

38. This brings us to the question of the role of external assistance in our planned development. There are obvious risks in excessive reliance on foreign aid. Even the First Five Year Plan recognised this danger and pointed out that external resources should be used only at strategic points and stages. There is also a view that dependence on external aid has actually retarded our development by encouraging complacency and creating the psychology of aid being always available. It has also been pointed out that it would be dangerous to use external aid as a device of budgetary support and that it should be confined only to meeting the most essential of our import requirements.

39. We feel that a constant vigilance is needed to ensure that we do not receive foreign aid if we can avoid it. When foreign aid is inescapable, it should be restricted to the minimum. Every effort should be made to develop indigenous production at the required pace and to the required extent. The cost involved in foreign aid and its repercussions on the economy should carefully be calculated and borne in mind. We also consider that in every scheme or project involving foreign aid there should be a clear enunciation of the manner in which the above vigilance should be exercised and of the measures which would eventually make such aid unnecessary in the shortest possible time. The obligations, which from this point of view have to be impressed on the management of projects, should also be clearly defined along with the means of enforcing them.

#### Recommendation 4

**We recommend that each scheme or project involving foreign aid should clearly set out the measures for dispensing with such aid in the shortest possible time and should also spell out the precise obligations, in this regard, of all concerned.**

#### Working Groups

40. The various Working Groups which are set up about two years before the commencement of a Five Year Plan are the most important instrument developed by the Planning Commission to assist it in the formulation of the Five Year Plans. These Groups are constituted sector-wise and most of them in turn, set up sub-groups to formulate proposals for different areas within a sector. They consist mostly of experts drawn from the Ministries and the concerned executive agencies. The Groups are expected to review the performance of the economy in the various sectors, assess the progress made in the current and preceding Plans and formulate proposals for the next Plan. When the work on the formulation of the Fourth Five Year Plan was taken up a few years ago, the Groups were asked to formulate their proposals keeping in view also the requirements of the next fifteen years.

41. The Working Groups help bring together the experience and expertise of persons specialising in different fields. There is also another advantage. The National Plans will assuredly be executed with greater enthusiasm and energy if those who are charged with the task of implementing them also participate in their formulation. In actual practice, however, the Working Groups have failed to be as useful as was expected of them. For instance, most of the Working Groups constituted to help in the formulation of the Fourth Five Year Plan failed to submit their reports according to the time schedule laid down by the Planning Commission. Generally, they met only a few times. They did not have adequate technical support. Neither has there been much close and continuing contact between the Groups and the

Planning Commission. [Also there has been very little representation of non-official experts and experts from the States. It is necessary that Groups should be broad based. There is a need to bring in experts from the States as well as from outside the Government. However, their membership should not be so large as to come in the way of their effective working. Further, the Planning Commission should invariably provide the Groups with a clear indication of the lines of development envisaged for the next Plan.

42. The Ministry should take an active interest in the working of the Groups and for securing this objective, the present practice of the Secretary or a senior officer presiding over the Group may continue. The Groups would not be in a position to give their best unless they get the necessary secretariat and technical support. We hope that the recommendations we have made elsewhere regarding the constitution of Planning Cells in Ministries would go a long way in providing this support.

43. A major deficiency in our plan formulation procedures is the inadequate communication between persons engaged in planning work in the States and at the Centre. When the work on the Fourth Plan began, it was envisaged that the Working Groups at the Centre and their counterparts in the States would keep a close touch with each other. This, however, did not come about. We hope that the establishment of Planning Boards in States, as recommended by us, would contribute to a more fruitful communication between the planning agencies at the Centre and in the States.

44. We would like to emphasise that in the case of subjects falling within the jurisdiction of the States, the Working Groups set up by the Central Ministries should also include some specialists drawn from the State Governments and their Planning Boards.

### **Recommendation 5**

**We recommend that :**

- (1) **The composition of the Working Groups should be broad based. Each Group should, in addition to the official members, include a few non-official experts selected having in view the subject matter of the Group. The Groups dealing with subjects falling in the State List should also have some specialists from State Planning Boards and State Governments.**
- (2) **The Working Groups should be compact bodies presided over by Secretary or other senior officer of the Ministry concerned.**
- (3) **The Working Groups at the Centre and their counterparts in States should maintain a close and regular communication with each other.**

### **Advisory Bodies**

45. From its very inception, the Planning Commission has attempted to associate with plan formulation a number of persons working in different

walks of life, with a view to deepening its own understanding of the various problems and creating also a wide awareness of the policies and programmes recommended by it. The several advisory committees and panels set up for this purpose by the Commission have mainly been of two types. In the first category fall the *ad hoc* bodies set up for enquiring into particular problems and making specific recommendations, e.g., Coke Oven Projects Enquiry Committee, Engineering Personnel Committee and Prohibition Enquiry Committee. The second type of the consultative bodies includes the various standing committees and panels. In 1966, there were about twenty-five such standing bodies. Some of them like the Panel of Economists did some useful work at one time or the other but most of them have hardly met at all in recent years. The Commission has recently abolished all its standing advisory bodies except the Committee on Natural Resources and the Land Reforms Implementation Committee of the National Development Council.

46. We do not intend to go into the question of which advisory bodies the Commission should have. It is a matter for the Planning Commission to decide in the light of its requirements. We would, however, like to outline our general approach to the setting up of committees of this nature. The various Ministries of the Central Government have their own special advisory bodies and the Planning Commission should in the first instance try to make full use of them rather than set up its own parallel set of committees and panels. *Ad hoc* groups can be constituted to examine particular problems and should be wound up as soon as they have finished their work. If the need is not so much for obtaining expert advice as of ascertaining the reaction of certain interests, consultations may be held with the all-India associations representing those interests. If the intention is to benefit from the knowledge and experience of eminent experts, they may be associated with the Working Groups set up in connection with the formulation of Five Year Plans. It is only in those few cases where the type of advice that the Commission needs cannot be obtained through any of these methods that standing advisory committees may be set up directly under the auspices of the Commission. In order that these committees may function as effective instruments of assistance in policy and programme formulation, they should be compact bodies with a membership not exceeding, say, fifteen persons. It should also be ensured that the persons chosen to work on these committees are not simultaneously members of a number of other committees and are able to devote sufficient time for committees' work.

### **Recommendation 6**

**We recommend that :**

- (1) **The Planning Commission should, to the maximum extent possible, make use of the special advisory bodies which are set up by the Central Ministries.**

- (2) Where the purpose is to ascertain the reactions of the interests concerned to the proposals of the Commission, the all-India associations representing those interests may be consulted.
- (3) Standing advisory committees may be set up for considering matters which cannot adequately be dealt with in any of the ways mentioned above or by the constitution of ad hoc bodies. These should be few in number. They should be compact bodies with a membership not exceeding, say, fifteen. It should be ensured that persons selected to work on these committees are not already working on a number of other bodies and are able to devote sufficient time for the committees' work.

### **Planning Cells in the Central Ministries**

47. In each Five Year Plan document, the Planning Commission has devoted a chapter spelling out the institutional arrangements necessary for achieving planned development. The Memorandum on the Fourth Five Year Plan also proposed that, as a part of the preparation for the next Plan, each agency at the Centre and in the States should undertake a systematic review of its organisation, programme of training, development of personnel and methods of planning.

48. The existing arrangements for dealing with the work of planning differ from Ministry to Ministry. While all the Ministries concerned with developmental programmes have technical experts, only some of them have separate Planning Cells for the purpose. In the Department of Mines and Metals, there are two Divisions, one on coal and the other on minerals and metals. Policy planning in respect of both is attended to by a Joint Secretary with the help of technical officers. In the Department of Iron and Steel, the work of planning and development is handled in one of the Sections of the Department, which consists of a Section Officer, an Assistant and a Clerk. At the supervisory level, there are an Under Secretary and a Director who shoulder this responsibility along with many other duties. In the Ministry of Petroleum and Chemicals, work of overall planning is looked after by a Deputy Secretary in consultation with the Economic and Statistics Division. The work relating to detailed planning, scrutiny of technical and economic aspects of projects and their execution is, however, handled in separate technical units. These are manned by senior technical officers. The Ministry of Agriculture has a Programme Implementation Section, a State Liaison Section and a Directorate of Economics and Statistics. The first two units are staffed by administrative personnel but the Directorate of Economics and Statistics is manned by specialists. The Department of Health constituted a separate Planning Cell in September 1965. It is designated as Bureau of Planning and consists of a Director, a Section Officer and a few Assistants and Clerks.

49. The existing arrangements in the Ministries for attending to work connected with planning are far from satisfactory. As we expect the Minis-

tries to assume the responsibility of detailed planning within their sectors, it is necessary that work of planning in each Ministry is looked after by a separate Cell specifically constituted for the purpose.

50. It is necessary to clearly define the functions of the Planning Cell in order to avoid duplication of effort and possible jurisdictional conflicts. The primary function of the Planning Cell in a Ministry will be to assist the Ministry and through it the Planning Commission in formulating a viable Plan for the sector with which the Ministry is concerned. For this purpose, a considerable amount of preparatory work would have to be undertaken by the Cell. This will include organising studies, research and market surveys having a bearing on the development of the sector and collection of background material and statistics. We do not expect the Cell itself to undertake all these activities. It should get the required studies and surveys carried out as far as possible through the executive agencies of the Ministry and where need be through suitable research organisations. What is important is that the Cell should have at its disposal all the relevant information and data needed for planning purposes. The Cell as well as the executive agencies of the Ministry should provide technical and other assistance with regard to planning to the Working Groups and the Development Councils.

51. Once an agreed plan for the sector is drawn up in consultation with the Planning Commission, it would be the duty of the Cell to work out the overall plan programmes relating to the Ministry. We have already recommended in our Report on Public Sector Undertakings that the work of project planning and formulation should be the responsibility of the sector corporations. The Cell will, however, assist in the scrutiny and evaluation of feasibility studies and the detailed project reports prepared by the public sector undertakings or special consultants. The Planning Cell will coordinate the detailed planning activities of the executive agencies under the Ministry. It will also ensure that the envisaged plan projects and schemes are properly phased and that the requirements of inputs and administrative implications have been fully and properly worked out.

52. The day-to-day watching of implementation would be the responsibility of the executive agencies and the appropriate divisions of the Ministry concerned with the supervision of these agencies. The Planning Cell, however, should be in close touch with the progress of plan projects with a view to locating problem areas which need further studies. It should prepare periodically overall progress and evaluation reports on plan programmes, the evaluation of which is not done by the Planning Commission.

53. In view of the specialised nature of their functions the Planning Cells should be suitably staffed with technical and professional expertise. The Cell should be small in size and be headed by a senior technical officer or a Joint Secretary as may be appropriate. It should function under the overall supervision of Secretary.

54. In addition to a Planning Cell, each Ministry and Department should have an Internal Standing Committee for Planning. It should consist of Secretary, Heads of Departments and other senior technical and administrative officers of the Ministry or Department. The Committee should give guidance of the Cell in its work concerning the formulation of plan programmes and should periodically review the progress of implementation.

#### **Recommendation 7**

**We recommend that :**

- (1) Each Ministry concerned with developmental programmes should have a separate Planning Cell which should be small in size. It should be suitably manned by technical and professional personnel and headed by a senior technical officer or a Joint Secretary, as may be appropriate. It should function under the overall supervision of the Secretary of the Ministry.
- (2) The Planning Cells should primarily have the following functions :
  - (a) to assist the Ministry and through it the Planning Commission in the formulation of the Five Year Plan by undertaking the necessary preparatory work; to get the necessary studies and research needed for the formulation of the plan programmes carried out by the executive agencies and other bodies; to collect and maintain economic and statistical data relating to development and to provide necessary technical and other assistance to the Working Groups and the Development Councils;
  - (b) to scrutinise and coordinate the detailed projects and schemes of the executive agencies under the Ministry and to ensure that the requirements of inputs and administrative implications of each project and scheme have been fully worked out and that the various projects are properly phased; and
  - (c) to keep in touch with the progress of plan schemes and programmes and prepare the overall progress and evaluation reports on plan programmes not covered by evaluation by the Planning Commission.
- (3) Each such Ministry or Department should constitute an Internal Standing Committee for Planning. It should consist of the Secretary, Heads of Departments and other senior technical and administrative officers of the Ministry. The Committee should guide the Planning Cell in the discharge of its functions and periodically review the progress of implementation.



## Planning and the Private Sector

55. There is a lack of adequate collaboration between the Planning Commission and the private sector in the planning of industrial development. It is true that occasionally there were consultations with the private sector. But such consultations on the whole have been inadequate and confined to the formulation of Five Year Plans only. Annual Plans are finalised without any association of the private sector and even without a reasonably clear appreciation of the developments in that sector. The private sector has been assigned an important role in our national scheme of planned development. It is, therefore, necessary to create satisfactory institutional arrangements which would provide for consultations with the private sector and thus give it a greater sense of participation in the planning process.

56. The bodies created by the Government for consultation with the private sector, namely, the Central Advisory Council on Industries and the various Development Councils have not helped much in planning for the industrial sector. The Central Advisory Council is too large a body and can hardly be expected to make any significant contribution to the planning process. At best it can only provide a forum for a general discussion on plan policies and programmes and might be used for this purpose. The Development Councils, on the other hand, can be made to serve as a useful instrument of industrial planning. Unfortunately, these have been used mostly as a platform where the private sector industries can air their grievances. For the purpose of development planning, these Councils have generally been ineffective.

57. It seems to us that the lack of proper leadership and adequate technical support have been the main reasons for the failure of the Development Councils to assist in the planning of industrial programmes. With the constitution of Planning Cells in Ministries, as recommended by us, it should be possible to provide such leadership and to bring about more active and mutually beneficial cooperation between the private sector and the Ministry concerned. At the time of the formulation of a Five Year Plan, it would be useful to ask the Development Councils to prepare their own plans in the light of the general guidelines given by the Planning Commission and send them to the concerned Ministry. Both public and private sector undertakings are operating in certain common fields of industrial development. It would, therefore, be desirable to involve, on an ad hoc basis, representatives of the appropriate public undertakings in the formulation of the five year industrial plans by the Development Councils. Similarly, at the time of the preparation of the Annual Plan, a few representatives of the Development Councils concerned with major industries in the private sector should be associated with the relevant discussions and deliberations.

**Recommendation 8**

**We recommend that :**

- (1) **At the time of the formulation of a Five Year Plan, the concerned Development Councils should be requested to prepare their own plans in the light of general guidelines to be given by the Planning Commission, and to send them to the concerned Ministries.**
- (2) **A few representatives of the Development Councils concerned with major industries should be associated with the formulation of the industrial programmes at the time of annual plan discussions.**

**Scrutiny of State Plan Schemes**

58. In the early days of planning, practically every individual scheme in the State Plans was subjected to Central scrutiny and required financial sanction from the Centre. This practice was in vogue in respect of majority of schemes till 1958 when the condition of scheme-wise financial sanction was generally dispensed with except in the case of certain types of schemes involving expenditure above specified limits. This move towards decentralisation, though welcome, did not go far enough. The State Planning Boards recommended by us will, when set up, perform in respect of State Plans, *mutatis mutandis* functions similar to those of the Planning Commission. The whole question, therefore, calls for a fresh approach.

59. We have already emphasised the need for allowing full initiative and freedom of action to the States in the matter of State subjects. However, the overall effort by each State in different sectors has to be of such nature and magnitude as to facilitate the attainment of the priorities and targets set out in the Five Year Plan. These priorities and targets would have it is expected, been determined after taking into account the resources and the needs of the States. The States would have to conform to the basic sectoral targets, allocations and priorities fixed by the Planning Commission. But detailed sectoral planning will have to be left to the State Governments, to be carried out according to their requirements, aspirations and available resources. Preparation and execution of individual schemes and programmes should, as a rule, be left to the States. Scrutiny and approval by the Planning Commission should be necessary only in the case of schemes which involve a substantial amount of investment, a sizable foreign exchange component, considerations of inter-State nature, significant policy implications from the national standpoint or implementation of basic national priorities.

**Recommendation 9**

**We recommend that :**

- (1) **Detailed sectoral planning, including preparation and execution of individual schemes and programmes should be left to the State Governments.**

- (2) **The Planning Commission should confine its scrutiny to such schemes as involve a substantial amount of investment, a sizeable foreign exchange component, considerations of inter-State nature, significant policy implications from the national standpoint, or implementation of basic national priorities.**

### **Annual Plans**

60. A Five Year Plan is in the nature of a "master" document. It sets out a series of inter-connected tasks to be carried out over a period of five years to attain the objectives of the Plan. It is through the instrument of Annual Plans that the objectives are translated into action programmes. Further, a five year programme is necessarily based on certain major assumptions. In a predominantly agricultural economy like ours with its proverbial dependence on monsoons and with acute foreign exchange stringency, a rigid phasing of programmes over a period of five years is just not possible at the time of the preparation of a Five-Year Plan itself. Annual Plans thus occupy a position of importance in our developmental strategy. The preparation of an Annual Plan must be preceded by a careful review of the progress of the developmental programmes under execution and also a reasonably accurate appreciation of the private economic activity. Secondly, since both the Central and the State Governments operate through the mechanism of annual Budgets, the annual planning and annual budgeting have to be more or less simultaneous and coordinated processes.

61. We have outlined earlier in this chapter the present procedure for the finalisation of the Annual Plans. [The whole process is crammed into three days for each State and two days for each Union Territory, and is a race against time. Decisions are taken in a great hurry. The number of Working Groups is very large and the Commission's own representation on them is often at a lower level for the reason that the Commission does not have enough senior officers to work on these Groups. There is an attempt to cover too wide a ground and in too much of detail. A large number of State officials come to Delhi every year and the time and the money spent on the whole exercise are hardly commensurate with the results achieved. We, therefore, consider that a thorough overhaul of the present procedures is necessary. With the constitution of Planning Boards in the States and Planning Cells in the Central Ministries, the detailed preparation of plan programmes, within the broad guidelines given by the Commission, would be the responsibility of the Boards and Planning Cells. The problem really is one of matching the annual plans to the resources available and of ensuring that each Annual Plan is a surer step towards the realisation and fulfilment of the Five Year Plan as a whole. The Central Ministries and the Planning Commission will only have to ensure that optimum progress is made to achieve the Plan targets within available resources.]

62. We, therefore, agree with the Study Team on Machinery for Planning that the annual plan discussions in future may concentrate on broader issues, such as, resource mobilisation, appraisal of performance in key areas, important policy matters and the requirements of major projects. Detailed planning within such a framework and further adjustments which may be necessary should be largely left to the Ministries and States, with provision for a systematic follow-up by the Planning Commission of the progress of the Plan.

#### **Recommendation 10**

**We accordingly recommend that the present elaborate system of annual plan discussions through a large number of Working Groups should be discontinued. The discussions in future may be concentrated on major issues like resource mobilisation, important policy matters, requirements of major projects and appraisal of performance in key areas. Detailed planning within such a framework should be left to the Central Ministries and States.**

### CHAPTER III

#### FINANCIAL ASSISTANCE BY THE CENTRE FOR STATE PLANS

63. The adoption of planning on a national scale and the allocation, on the recommendations of the Planning Commission, by the Centre of funds to States to help them in implementing their part of the national programme have profoundly altered the basis of Centre-State financial relationship. Formerly, the financial assistance received by the States from the Centre was mainly in the form of a share in certain Central taxes and the grants-in-aid of revenue. The exact quantum of this financial assistance was fixed for every five-year period by a Finance Commission. However, the initiation of the Five Year Plans in a big way made it necessary to allocate funds to States on a much larger scale than hitherto. The amounts to be allocated for the purposes of the Plan were fixed each year in the light of the needs of the development programme envisaged for the next succeeding year. These funds are made available by the Central Government in the shape of loans and grants made under Article 282 of the Constitution which provides for discretionary grants being given for any public purpose. The allocation is made on the basis of the recommendations of the Planning Commission. Over the years the assistance given in the shape of loans and grants under Article 282 has come to constitute a very high proportion of the States' expenditure. Thus the aggregate of Plan loans and grants expressed as a ratio of the total 'own resources' of the States, has gone up from 24.8% in 1951-52 to 70% in 1965-66. The corresponding proportion for statutory grants according to the recommendations of the Finance Commission was 4.8% in 1951-52 and 5.6% in 1965-66. The corresponding ratios for the amounts transferred to States by the devolution of taxes and duties were 14.9% in 1951-52 and 17.8% in 1965-66. Assuredly the Planning Commission plays today a major role in the allocation of resources to States.

64. Here, it is necessary to take cognisance of the constitutional functions of the Finance Commission. Under Article 280 of the Constitution, Finance Commission has to make recommendations every five years about the distribution of taxes between the Centre and States and between the States *inter se*, the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and any other matter referred to it by the President. Obviously there can be no conflict between the Central Government's decision on the recommendations of the Finance Commission and the allocations that might be made by it on the recommendations of the Planning Commission. The discretionary grants for Plan purposes made under Article 282 are in addition to those recommended by the Finance Commission under Article 275.

### Centrally Aided Schemes

65. The main objective of the Central assistance to States has been to ensure that States implement effectively those schemes which are significant in the overall context of the national economy. The assistance is given in the form of grants as well as loans. The schemes qualifying for assistance are of two types—"the Centrally sponsored schemes" and "the Centrally aided schemes". The former are dealt with in the next section. As regards the latter, the procedure followed is briefly outlined below.

66. Each year, the Annual Plans of States are formulated within the framework of the Five Year Plan by the Planning Commission after discussion with the representatives of the State Governments, Ministry of Finance and the administrative Ministries concerned. The size of the Plan of each State is decided in the light of the resources to be raised by the State concerned and the total Central assistance which is found to be available on the basis of assessed resources of the Centre. The total plan outlay of a State is apportioned among the various programmes included in the Annual Plan. The amount provided by the Centre is allocated to the programmes which the Centre has decided to finance, in accordance with a prescribed pattern of assistance. This pattern provides for a 100% grant in certain cases and a 100% loan in certain other cases. In some other cases varying percentages of loans and grants are given by the Centre, the State making up the balance if such loans and grants do not add up to the whole of the outlay in the case of any particular scheme. Some schemes are to be financed entirely by the States. The pattern of assistance is an indication of the relative priority which the Centre attaches to the schemes it agrees to finance. If the assistance admissible in accordance with the prescribed pattern is found to be less than the total assistance proposed to be allocated to any State, the shortfall is made good in the form of a Miscellaneous Development Loan. This loan is to be utilised for financing approved schemes only. If the total assistance falls short of the assistance calculated in accordance with the prescribed patterns, the plan programmes are revised so as to conform to the total Central assistance.

67. The programmes are grouped under sub-heads which in their turn are grouped under certain heads of development. In the Centrally assisted schemes, as distinguished from "Centrally sponsored" schemes described in para 70 below, the loans and grants are shown for each head of development as a whole. The State Governments are at liberty to reappropriate the assistance provided for any scheme under a given head of development to another scheme under the same head provided the latter also qualifies for Central assistance. Reappropriation between schemes falling under different heads of development requires the concurrence of the Centre. If a State Government reappropriates funds from one head to another without the approval of the Centre, it forfeits a proportionate amount of the grant

assistance provided for the former. However, the grant amount so re-appropriated can, without being forfeited, be converted into a loan provided the overall plan target is achieved by the State. The right to reappropriate funds, as mentioned above, is subject to certain restrictions. For instance, the Central assistance for "Agricultural programmes" or "Cooperation" is not available for diversion to any other head of development. Similarly, assistance provided under the sub-head "Village and Small Industries" cannot be reappropriated. Further, assistance is 'earmarked' for certain irrigation, power and multi-purpose projects and transmission lines of inter-State significance and diversion for other purposes of the funds so 'earmarked' is not permitted, except under certain special circumstances.

68. The transfer of funds to the States is not held over till the expenditure on the concerned schemes is fully incurred. Provisional payments are made in monthly instalments and final adjustment is done after the end of the year when the total amounts due to the States as grants and loans are fixed in accordance with the patterns of assistance, in the light of the expenditure actually incurred on the various plan schemes.

69. The following criticisms have been made about the adoption of a uniform pattern of assistance for Centrally aided schemes :

- (a) There is a large variety of patterns which cause unnecessary confusion and create large amount of work at all levels.
- (b) The procedure for the pattern of the scheme is complex and delays in decision are caused thereby. The readjustment of grants and loans in the light of actual expenditure is a time-consuming process.
- (c) The main objective underlying the pattern of assistance, viz., that funds are used so as to achieve certain pre-determined ends, has remained largely unfulfilled in view of the possibility of circumventing these objectives vide sub-para (d) and (e) below. Instead what has been achieved is an artificial uniformity in the implementation of certain schemes in different States.
- (d) In general it is permissible to reappropriate funds from one scheme to another falling under the same head of development provided that the latter scheme is also one which is eligible for Central assistance. However, there is no means of preventing in time the reappropriation within the same head of development from an 'assisted scheme' to an 'unassisted scheme'.
- (e) The mechanism of the Miscellaneous Development Loan enables the States to utilise the assistance provided to them for certain purposes for quite different purposes. The disability suffered in consequence is only the conversion of a portion of

the grant into a loan. This is not felt to be a big burden seeing that the original loans are serviced by further loans from the Centre.

- (f) In many cases States are persuaded to take on projects which do not fit well with their needs and priorities. This they do because the assistance from the Centre will be forthcoming only in accordance with the pattern prescribed by it. However, the States are in a better position to assess the claims of different schemes in relation to their own needs and capacities. Such needs and capacities vary from State to State. So, if they are persuaded to implement certain schemes according to the wishes of the Centre which qualify for assistance in accordance with a rigid pattern, the result can well be a distortion of priorities from the State's point of view.

### **Centrally-sponsored Schemes**

70. The assistance given by the Centre for these schemes is in addition to the total assistance earmarked for the States and incorporated in the State plans. Provision for it is made in the Central budget. Patterns of assistance are applicable to individual schemes. By and large the assistance in the shape of grants or/and loans covers 100% of the expenditure. Each of the schemes requires the specific approval of the Central Ministry concerned. The work is executed by the State Governments under the technical guidance and supervision of the Central Ministry. Funds are released once in a quarter on the basis of expenditure in the previous quarter. The following principles supply the criteria for classifying Plan Schemes as "Centrally sponsored":

- (i) they should relate to demonstrations, pilot projects, surveys and research;
- (ii) they should have a regional or inter-State character;
- (iii) they should require lump sum provisions to be made until they could be broken down territorially; and
- (iv) they should have an overall significance from the all-India angle.

71. The following criticisms have been made against the system of Centrally sponsored schemes :

- (a) Distortion of States' priorities caused by the existence of a pattern for Central assistance is accentuated in the case of Centrally sponsored schemes because reappropriation of funds from these schemes to other is not permitted as in the case of Centrally aided schemes.
- (b) While the criteria mentioned in para 70, for determining whether a scheme should be Centrally sponsored are unexcep-



tionable, in actual practice, a large part of the outlay on the Centrally sponsored schemes does not conform to these criteria. The States nevertheless are made to accept these schemes because the financial assistance offered by the Centre is not counted against the State Plan.

- (c) The details of the Centrally sponsored schemes are often not worked out by the Central Ministries till the Five Year Plan is far advanced. This leads to shortfalls.
- (d) State Governments at the time of the preparation of their budgets are not aware of the Central assistance that will be forthcoming for the schemes because they are intimated earliest in June every year. This prevents the States from planning properly.
- (e) As the Centre takes the responsibility for scrutiny of the schemes, they are not subject to careful scrutiny by the State. The Centre, though responsible for the scrutiny, does not find time to do it in an adequate manner, with the result the schemes suffer from inadequate scrutiny.

72. There is some force in this criticism though the delays in settling the quantum of assistance for Centrally sponsored schemes can be removed by speeding up the decision without altering the structure and concept of assistance for such schemes. The system of providing Central assistance should be so altered that while the needs of national priorities and objectives are adequately taken care of, the States will be left with an incentive to husband their resources properly for investing them in programmes suited to their own requirements within, of course, the structure of the National Plan and subject to the national priorities. There can be no getting away from the fact that planning, under our present conditions, requires Central direction, financing and even determination even though economic and social planning falls in the Concurrent List. Central supervision over the formulation of State Plans and their implementation cannot, therefore, be done away with. The Constitution itself embodies certain broad national objectives and also prescribes certain directive principles of State policies. The Central Government cannot therefore divest itself of the overall responsibility for seeing that the relevant Constitutional provisions are observed. Apart from all this, it is inevitable that the Centre should concern itself with those parts of the State Plan which flow from or which affect the execution of national policies or the overall development of the economy of the country both in the agricultural and industrial fields. In order to encourage States to follow certain policies even in the State's field and in the light of national objectives or policies, it has become necessary, and it will continue to be so, for the Central Government to take interest in the formulation and implementation of certain State schemes. Schemes of Central assistance to States have to cater to all these requirements, care being taken to ensure that they are framed in such a

manner as not to fetter unduly the discretion of State Governments or to cramp the initiative and cloud the judgment of the States in regard to matters in the State field.

73. On a consideration of all these factors, we think it necessary that the targets of the State Plans and the financial outlay required for achieving them should first be realistically fixed. The proposed financial outlay should be of a magnitude that can be covered by the State's own resources supplemented by the Central assistance. The amount of Central assistance will naturally be determined by the resources position of the Centre and its own programmes for plan expenditure. Out of the total Central assistance, the amount which should be given in the form of loans should first be fixed. This loan assistance will be earmarked for specific projects or parts of specific projects. Some schemes would be such that they would involve elements of revenue as well as capital expenditure. In such cases, the loan assistance should be earmarked for the capital element of these composite projects. The balance left out of the total assistance after providing for loans would be available for assistance in the shape of grants. Hitherto, the grants for individual schemes have been fixed in accordance with pre-determined patterns. We suggest that these patterns be abolished. For certain selected schemes of groups of schemes of basic national importance, the amount of grant assistance might be fixed at 100% and tied thereto. The balance of the grant assistance might then be allocated between other schemes pro rata. While this amount will be distributed between various schemes, the amount allocated need not be tied to those schemes. In other words, it should be possible for the States to reappropriate the amount between the various schemes for which assistance is not required to be "tied".

74. This method will do away with the complications which are inevitable in administering a matching pattern of assistance. It will at the same time secure that the amounts allocated to schemes of basic national importance are not diverted to other purposes. It may possibly be said in criticism that an unlimited right to reappropriate between untied schemes will introduce an element of looseness in the planning process. There need not be much concern on this score. After all, the schemes are discussed by the Planning Commission with the States and where necessary, with the Central Ministries before they are included in the Plan. As the States' views will have to be given full weight it might be assumed that the priorities as finally indicated in the Plan will have had the acceptance of the States. There should then be no reason to alter these priorities except in extraordinary circumstances which make it impossible to keep to the programme schedules as originally proposed. It is only the existence of matching patterns providing different quanta of assistance to different categories of schemes that gives rise to attempts to secure assistance for schemes qualifying for a higher quantum of grants and then use these funds for carrying out other schemes in which the State has a greater interest. Where there is no matching pattern, the States

will have no interest in putting up at the formulation stage one set of schemes and then reappropriate funds to other schemes at the stage of implementation. Further, it will be more in keeping with our concept of planning if assistance for schemes of basic national importance is earmarked for them instead of expecting the schemes to be chosen by the States in the light of the attractiveness of the matching pattern of assistance provided for these schemes. With the abolition of the matching pattern and full allocation of plan assistance in the form of grants and loans, there will be no need for a "Miscellaneous Development Loan" which should be abolished.

75. A preliminary step to be taken before allocating the funds in accordance with the procedure described above is to determine which schemes should be financed wholly or partly through loans. One view is to confine the loans only to "productive" schemes. If the term "productive" is to be construed in a narrow commercial sense only a few, if any, of the schemes will qualify for loan assistance. Large scale schemes like irrigation projects may not pass the test of commercial returns though their value for the general social and economic welfare of the State is beyond question. Obviously, it would be wrong to deny loans for financing such projects. Again, some projects described above as being composite in nature, involve the creation of tangible assets. A loan assistance in such cases is well worthwhile. However, on the question of projects which should qualify for loan assistance it is not necessary to be rigid or to give an answer. Nor do we propose to deal with the terms on which loans for various purposes should be given. These are matters for decision by the Central Government in consultation with the Planning Commission. What we would like to emphasise is, however, that loans will have to be tied to specific schemes and where a scheme is of a composite nature, the loan assistance for the capital element should not be diverted to the revenue element thereof.

76. An important feature of the modified procedure proposed above is the singling out of certain schemes or groups of schemes as being of basic national importance. We do not intend to list out such schemes but would like to point out that utmost care should be devoted in their selection and that their number should be kept to a minimum. The assistance provided for such schemes is to be 'tied' to them. Shortfalls in performance on these schemes should automatically result in a corresponding downward adjustment of the amount of assistance. The tie should be to a scheme or a group of schemes and not, preferably, to a head of development. It is not necessary that schemes or group of schemes selected for tied assistance should be the same in all the States.

77. It is important to ensure that the States fulfil their stipulated obligations in regard to mobilisation of resources. It may happen that there is a shortfall in the implementation of State Plan taken as a whole. As a result, the Central assistance utilised by the State may be more than what would be proportionate to the expenditure met by State out of its own resources, the

correct proportion being one initially settled at the time of the finalisation of the Plan. In such cases, there should be a corresponding reduction in the Central assistance. Necessary adjustments in this regard will have to be made after the close of the relevant financial year when the details of the State's Plan expenditure are available.

78. A suggestion has been made that the category of "Centrally sponsored" schemes should completely be abolished. We do not agree. No doubt the number of the Centrally sponsored schemes should be reduced to the maximum extent possible. Even after the largest possible number of such schemes is taken away from the 'sponsored' category, there will still remain programmes which will have to be carried out by the State authorities but which cannot be financed from the State Plan allocations. Some important examples of such programmes are basic research, exploratory work, schemes linked to Central projects, programmes connected with exports or defence and programmes extending over two or more States. However, the principles mentioned in para 70 as providing the criteria for determining which projects should be Centrally sponsored need to be strictly applied.

#### **Recommendation 11**

**We recommend that :**

- (1) The amount of total Central assistance to be given to a State should first be determined. The amount to be given in the form of loans should then be worked out. The balance of the total assistance left after deducting the quantum of loans will be available for distribution as grants.**
- (2) A certain portion of the amount available as grant assistance should be 'tied' to schemes or groups of schemes of basic national importance. The remainder should then be distributed pro rata over other schemes or groups of schemes which are eligible for Central assistance.**
- (3) The grants tied to schemes or groups of schemes of basic national importance will not be available for reappropriation. Grants originally allocated to untied schemes or groups of schemes may however be reappropriated to other schemes qualifying for Central assistance.**
- (4) If there is a shortfall in implementation of State Plan taken as a whole and as a result the Central assistance utilised by the State is more than what would be proportionate to the expenditure met by the State out of its own resources the correct proportion being one which was initially settled at the time of the finalisation of the Plan), there should be a corresponding reduction in the Central assistance. Necessary adjustment in this regard should be made after the close of the relevant financial year.**

- (5) "Miscellaneous Development Loans" should be abolished after the introduction of the scheme of Central assistance in the manner prescribed above.
- (6) The number of Centrally sponsored schemes should be kept to the minimum and the criteria laid down for determining which projects should be Centrally sponsored should strictly be applied.

### **The Role of the Planning Commission and the Finance Commission**

79. The Study Team on Centre-State Relationships and that on Financial Administration have made different recommendations regarding the roles of the Finance Commission with regard to the allocation of Central assistance. The Study Team on Centre-State Relationships has recommended that the Finance Commission should be concerned only with the fixing of shares of taxes to be distributed and settling the percentages to be allotted to the States and that the Planning Commission should deal with all the grants including Plan grants. On the other hand, the Study Team on Financial Administration has proposed that the Finance Commission should be made permanent and should also allocate plan grants under Article 282, awards being made twice during a quinquennium for this purpose once for the first two years of the Plan and then again for the last three years.

80. We are not in favour of either of the above suggestions. It would not be possible to consider the question of distribution of grants-in-aid of revenues in isolation from the distribution of part of Central taxes to the States. It is the combined purpose of these two distributions to secure the closing of the ordinary revenue gaps of the States. (The committed revenue expenditure on completed plan schemes will, of course, be taken into account when ascertaining the revenue gaps.) We are, therefore, not in favour of detaching the function of fixing the grants-in-aid of revenue under Article 275 from the Finance Commission and transferring it to the Planning Commission. Nor are we in favour of handing over the function of advising the Government on the allocation of Central assistance to State Plans to a Finance Commission, permanently in session. The allocation of Plan assistance is intimately connected with the formulation of the Annual Plans in which the Planning Commission has to take a leading part. Once the Annual Plan is formulated by the Planning Commission, allocation of assistance follows and there is no need for a quasi-judicial body like the Finance Commission to determine that allocation. Further, in suggesting the quantum of financial assistance to the States, the Planning Commission takes into account their available resources including their share of Central taxes and the grants-in-aid recommended by the Finance Commission.

### **National Development Bank**

81. The Study Team on Financial Administration has recommended that over the next few years there should be built-up a new institution to be

known as the National Development Bank for the purpose of channelling long-term finance to projects in the fields like power, transport, irrigation, industries and mining. The Team has suggested further the inter-linking at the organisational level between this Bank and the Planning Commission. It is claimed as one of the merits of this scheme that the selection of projects could be done by the bank on the basis of rational criteria. Similarly, the scrutiny of feasibility reports and the appraisal of the performance of the projects would be carried out with the critical eye of banker and having in view considerations of economic viability and sound business management.

82. The Study Team on Centre-State Relationships considered a similar suggestion and has set its views against it. We agree with that Study Team and mention the following as some of the considerations against the suggestion for the setting up of a National Development Bank of the type mentioned above.

(a) The loan sanctioning procedures are bound to be time-consuming when the critical approach of a bank is adopted. This will be a source of delay and lead to grievances all round.

(b) A cloud of uncertainty will hang over the approval and execution of projects. Even after the elaborate drill relating to planning, formulation, estimation and administrative approval are gone through, there will be no certainty that the project will be approved by the bank. The non-acceptance of the project would amount to a virtual exercise of a veto by this institution and would set at naught the administrative decisions of the highest planning or executive authority in the country. The planning process will then become an exercise in futility.

(c) The magnitude and complexity of the tasks involved in financing the projects are such that it will not be possible for a single agency like the bank to cope with it. An elaborate organisation will have to be set up in order that the bank may keep itself in continuous touch with the projects and programmes, identify causes of delay and waste, and render useful technical assistance to remove deficiencies. In other words, it will have to set up technical organisations of the type of the Central Water and Power Commission and Directorate General of Technical Development. Apart from the difficulty of setting up such organisations in the near future, there arises the question whether the inevitable duplication of such organisations is really worthwhile.

(d) As the intention is to select the schemes on the basis of business considerations, many schemes which are intended to develop the infrastructure of the economy which can hardly be productive or profitable in a commercial sense would not qualify for loan assistance from the bank. And yet a democratic government—certainly one which has embarked on planning on a national scale—has to undertake such schemes. If such schemes

are to be financed, as at present, by the Central Government, there will be no point in setting up a bank because most of the schemes will be covered by Central assistance.

(e) Incidentally, the bank will not be a bank in the commercial sense receiving deposits from the public. It will have to depend entirely on the Central Government for its resources. There is no point in the Government transferring its resources to a bank in order to enable that institution to carry out the functions which should rightly devolve upon an executive agency working in close consultation with the planning agency.

## CHAPTER IV

### INTERNAL ORGANISATION AND STAFFING OF THE PLANNING COMMISSION

#### Shedding of Extraneous Work

83. A good deal of criticism has been voiced in recent years against the growth of the expenditure on the staff of the Planning Commission. The Commission started with a sanctioned strength of 157 persons in 1951-52. This number rose to 446 persons in 1955-56, 814 in 1960-61 and 876 in 1963-64. It reached a peak figure of 961 in 1966-67. The sanctioned strength stood at 891 on January 1, 1968. These figures do not include the staff of the Committee on Plan Projects and the Programme Evaluation Organisation; nor do they include the Commission's Class IV employees. The expenditure of the Planning Commission was Rs. 11 lakhs in 1951-52. It rose to Rs. 81.5 lakhs in 1966-67. The revised estimates for 1967-68 are of the order of Rs. 85.6 lakhs and the budget estimates for 1968-69, of Rs. 93.6 lakhs. These figures do not include the expenditure on the Committee on Plan Projects, the Programme Evaluation Organisation and the Research Programmes Committee. Taking into account the expenditure on the last mentioned items, the total expenditure (including grants-in-aid for public cooperation and research schemes) was about Rs. 1 crore and 51 lakhs in 1966-67. The corresponding figure according to the revised estimates for 1967-68 was Rs. 1 crore and 55 lakhs. The budget estimate for 1968-69 is Rs. 1 crore and 59 lakhs. More than half of the Commission's staff strength is accounted for by secretariat and administrative personnel. It is, of course, inevitable that with the growth of work over the years since the Commission was constituted the strength of its staff should have increased. It is, however, generally accepted that the increase in staff and expenditure has been out of proportion to the increase in its responsibilities.

84. It is obvious that the type and number of personnel that the Commission would require would depend on the functions which the Commission has to perform. As we said in our Interim Report, the basic functions of the Planning Commission are Plan Formulation and Evaluation. We deal with Evaluation in Chapter VI. As regards the Plan Formulation, we have already mentioned the reasons why the Planning Commission should confine itself to the broad aspects of planning. We agree with the Study Team on the Machinery for Planning that it should be responsible only "for formulating the objectives, laying down priorities, indicating broad sectoral outlays, fixing the basic targets and approving the main programmes together with criteria for selection of projects and schemes". It is expected that the Planning Commission will concern itself only with the overall programmes and major projects. We have discussed earlier the



type of projects which alone should attract the Planning Commission's scrutiny. In such a scheme of allocation of planning functions, the various Central Ministries, State Governments and other executive agencies will be responsible for "detailed sectoral planning including elaboration of targets and formulation of individual projects and schemes, their detailed examination, scrutiny and implementation".

85. We envisage that the Planning Commission will not itself ordinarily undertake much of field research work. As far as possible, it should utilise the results of the detailed studies made by the various official agencies of the Central and State Governments as well as by other research and technical institutions. It is also expected that the work of data collection will be handled by Ministries, State Governments and other agencies operating in the field.

86. We referred in our Interim Report to the practice which has grown over the years of the Ministries getting some of their decisions "cleared" by the Planning Commission. As this practice was inconsistent with the requirements that the Commission should be free from the burden of day-to-day administration, we recommended that it should be discontinued. Individual references should cease to come to the Commission unless they pertain to major deviations from the Plan.

87. We would like to refer in this connection to the present practice of officers of the Planning Commission attending the meetings of Committees, like the Licensing Committees of the Ministry of Industrial Development. It is contended that attendance at such meetings provides the Commission's officials with an opportunity of acquainting themselves with the manner in which the industrial policies recommended by it are actually being implemented. It is claimed that this enables the Commission to bring to the notice of the concerned authorities any possible misdirection in the policies being pursued by the executive authorities. We are not impressed by this argument. It should not be the responsibility of the Planning Commission to supervise the activities of the executive authorities. After the Commission has recommended appropriate policies and the Government have approved them, the responsibility for their implementation should be laid squarely on the executive authorities. Not only should the Planning Commission avoid getting involved in implementation, it should also see to it that no impression is created that it is getting so involved. All that is necessary is that the Commission should continuously be supplied with all the relevant information regarding the progress in the implementation of Plan policies and programmes.

#### **Recommendation 12 :**

**We recommend that :**

- (1) **The Planning Commission should be responsible only for formulating the objectives, laying down priorities, indicating broad**

sectoral outlays, fixing the basic targets and approving the main programmes.

- (2) **The Planning Commission should itself not ordinarily undertake much of field research work. It should make maximum possible use of other official as well as non-official agencies concerned with research. The Commission should, as far as possible, utilise the operating agencies for the purpose of collecting data.**
- (3) **The Commission should not deal with individual references on plan programmes and schemes unless they pertain to major deviations from the Plan.**
- (4) **Officers of the Commission should not participate in the Committees set up for the purpose of implementation of plan policies. The Commission should, however, be kept fully informed continuously about the actual operation of the policies.**

88. From the very outset, the Commission has tended to take on certain assignments not germane to the functions assigned to it. The earliest example of this kind was the community development administration which was at one time being directed from the Planning Commission in its entirety. Even after the transfer of the community development programme to a Ministry, the Commission dealt with the rural works programme for a fairly long time till this too was transferred. Till very recently, the rural industries programme as well as public cooperation formed a part of the Commission's work. We are glad to know that both these subjects as well as the work relating to Development Administration under the Committee on Plan Projects have been recently transferred from the Planning Commission. The Commission is still, however, handling certain subjects with which it need not be concerned. These mainly are as follows :

- (a) Detailed surveys and perspective studies of transport requirements undertaken under the auspices of the Joint Technical Group on Transport Policy and Coordination;
- (b) Management studies;
- (c) Studies on construction economies; and
- (d) Promoting socio-economic research studies under the auspices of the Research Programmes Committee.

89. The work organised under the Joint Technical Group seems to have been entrusted to the Planning Commission because various modes of transport are being handled by more than one Ministry at the Centre. While we do agree that a coordinated approach is necessary when taking long-term investment decisions on transport projects, undertaking of detailed surveys and studies to facilitate such an approach is hardly the function of the Commission. Such studies should be carried out by the concerned

administrative agencies and results thereof made available to the Commission.

90. The studies relating to management were initiated by the Planning Commission on a pilot basis. Management problems cover a very large field of development. While some of them are common to all sectors, quite a few would be peculiar to individual sectors. We have already recommended in our Report on Public Sector Undertaking that the Management Division should be transferred to the Bureau of Public Enterprises. Studies relating to problems which are peculiar to individual sectors should better be entrusted to suitable administrative agencies.

91. The work relating to construction economies originated from the studies undertaken by the Study Teams of the Committee on Plan Projects. We are fully aware of the pressing need for effecting substantial economies in the construction costs of plan projects. However, in line with our general approach of divesting the Commission of all its extraneous work we would like the Commission to discontinue doing this work. This work also can more appropriately be done by administrative agencies.

92. We also feel that support to general socio-economic research should more appropriately be the function of the Ministry of Education, the University Grants Commission or such other agency as the Government may like to constitute for this specific purpose. We understand that the Committee on Social Sciences Research, set up by the Planning Commission, has in its interim report, recommended the setting up of a Council of Social Science Research. All the field research needed by the Commission having a direct bearing on its work, should be farmed out to research institutions which have competence to undertake such studies. The Commission would thus need only a nucleus staff in the present Socio-Economic Research Division, to attend to this part of the work.

### **Recommendation 13**

**We recommend that the Planning Commission should give up all such work as is not germane to its functions, in particular the work relating to the Joint Technical Group on Transport Policy and Coordination, management studies, construction economies and promotion of socio-economic research.**

### **Reduction in Staff**

93. The shedding of work by the Planning Commission in respect of the rural industries programme, public co-operation, Joint Technical Group on Transport Policy and Coordination, management studies, construction economies and socio-economic research would mean a reduction (of over Rs. 50 lakhs) in the Commission's expenditure as budgeted for 1967-68. With the setting up of Planning Boards in States and Planning Cells in the Central Ministries, the burden of detailed sectoral planning, relating both

to Five Year and Annual Plans, would devolve on those agencies. Also, as pointed out earlier, the Commission will not itself ordinarily undertake much of field research work and collection of data and statistics. Individual references on plan programmes and schemes will cease to come to the Commission; nor would it be necessary for the Commission's officers to attend meetings of committees like industrial licensing committees.

94. The cumulative effect of all these recommendations and the delineation of the Commission's functions as proposed by us must necessarily lead to a substantial reduction in its expenditure on personnel. It is not possible for a Commission like ours to make a detailed examination of every post and function in the Planning Commission. But we have no doubts that there is scope for substantial reduction in the expenditure on Commission's personnel. There is also duplication of work in the existing set up of the Planning Commission. Under the Industry and Mineral Division there is a post of Chief for Oil and Minerals. Again in the Resources Division, there is a post of Senior Specialist for Mineral Resources. Similarly, in the Power Division, there is a Chief for Power and in the Energy Survey Unit there is a Director for Energy. These are only some illustrations. It is high time that such duplication of staff is done away with.

95. We are happy to know that the Planning Commission itself is seized of the problem and has appointed a reorganisation committee under the chairmanship of one of its Members to go into the personnel requirements of the Commission. We hope that considerable reduction of staff and expenditure will be achieved as a result of this committee's findings. Consequences of possible retrenchment should not deter us from squarely facing the problem of effecting economies wherever they are justified. People clamour for economy, and when it is about to be effected, they press for the retention of the surplus staff on humanitarian grounds. Such unhelpful attitude has been thwarting all efforts at streamlining the administrative machinery and improving its efficiency. If some staff is superfluous, alternative employment for them should be thought of; to continue them on compassionate grounds in the positions where they are surplus is against canons of efficient administration. Fortunately the problem of retrenchment is not likely to be acute in so far as the Planning Commission is concerned. The bulk of its staff are not permanent employees of the Commission, but are on deputation from elsewhere. Such of them as are no longer needed can be sent back to their parent organisations. Similarly, there should be no difficulty in dispensing with the retired officials who have been re-employed by the Commission.

#### **Recommendation 14**

**We recommend that the Planning Commission should take immediate steps to reduce its personnel and expenditure, in keeping with the redefined scope of its functions and reduction in work as suggested by us.**

## **Reorganisation of the Commission's Secretariat**

96. The internal organisation of the Commission's secretariat as it has evolved over the years has tended to gravitate towards a pattern which normally obtains in a department of Government. It has been said that this has been responsible for compartmentalised thinking and lack of adequate communication between the different divisions of the Commission.

97. The Commission has to take a coordinated view on the different sectoral and regional claims advanced by the States and the administrative Ministries and evolve a composite and balanced National Plan. This requires that the technical divisions of the Commission work in close touch with each other so that an integrated approach is evolved. It is also necessary that functions which are closely inter-related are brought together under one group which should be placed under a single head. The technical work of the Commission should be organised in two wings—one for Plan Formulation and another for Plan Evaluation. A third wing will deal with Establishment matters.

98. The Study Team on the Machinery for Planning has given in its interim report and also in the final report a scheme for organising the work of the Plan Formulation Wing into the following 'groups' :

- (1) Perspective Planning Group;
- (2) Economic Group;
- (3) Plan Coordination Group;
- (4) Agriculture & Rural Development Group;
- (5) Industry, Transport and Power Group; and
- (6) Social Services Group.

We are in broad agreement with this grouping of the functions of the Plan Formulation Wing, as also with the nature of work that the Study Team considers necessary to be handled by each of these Groups.

99. As regards the Plan Evaluation Wing, our recommendations regarding its organisational set-up are given in Chapter VI. The role of Programme Advisers who stand outside the above organisational structure and yet are an essential part of the Planning Commission's Secretariat, is discussed in paragraphs 109 to 113.

100. The Commission's organisation for Plan Formulation to-day consists of several operational levels. Apart from Investigators Grade I and II at the lowest technical level, the hierarchy comprises Research Officers, Senior Research Officers, Assistant Chiefs/Joint Directors, Directors, Chief/Senior Specialists and Joint Secretaries/Advisers. Considering the need for having a compact and efficient organisation, it is our view that there need be only three functional levels in the Commission below the Members, viz., "Advisers", "Specialists" and "Analysts". At the base, the

research and technical personnel will consist of Analysts who will assist the Specialists responsible for carrying out work in subjects specifically allotted to them. Inter-connected areas of development falling under two or more subject Specialists will form a group headed by an Adviser. The Specialist would be an expert in the field looked after by him. The Adviser would not be a technical expert in the narrow sense of the term but one who has the knowledge of the essentials of the subjects in his charge. He should be a person possessing ability to perceive the inter-connections among the proposals emanating from the subject Specialists as also to understand the non-technical implications of such proposals. It would be his specific responsibility to reconcile and integrate the proposals made by his officers.

101. We would like to emphasise that the officers working at the same level need not necessarily be on the same pay scale. The Planning Commission would have to recruit people from various sources having regard to the nature of skills required. Not all the posts at the same level involve the same intensity of work and call for the same degree of expertise. For these reasons, the pay of the person will depend upon the source of recruitment and the responsibilities entrusted to him. What is to be safeguarded against is any tendency to create a sub-hierarchy at each level. We have recommended earlier that the Commission should not be responsible for field research and collection and compilation of statistical data. There is no need therefore for the Commission to have a large number of Economic Investigators. Their number should be substantially reduced.

### **Recommendation 15**

**We recommend that :**

- (1) The work of the Commission should be organised in three Wings, one dealing with plan formulation, the second with evaluation and the third with establishment matters.**
- (2) There should be only three functional levels in the Commission below the Members in the Plan Formulation Wing. These should comprise Advisers, Subject Specialists and Analysts.**
- (3) The number of Economic Investigators in the Formulation Wing should substantially be reduced.**

### **Recruitment and Selection of Personnel**

102. Recruitment of personnel for the Planning Commission is conditioned by certain needs peculiar to the planning process. National planning as a governmental function is of post-Independence origin. It was, therefore, quite natural that to begin with the planning positions were manned largely by persons with a predominantly administrative background. Planning involves a coordinated and forward looking approach. This requires

that the personnel engaged in planning work, especially those at higher levels, possess not only knowledge and practical experience in their respective areas of specialisation but also the capacity to perceive the inter-relationships among different sectors of the economy in the context of the larger Plan objectives. They have to be persons with imagination, creativity and vision. This highly intellectual type of work calls for abilities different from those needed to run the day-to-day administration.

103. Being the apex body at the national level, the Planning Commission is, more than any other organisation, in need of persons who have gained maturity in analytical thinking. Selections for top appointments in the Commission have to be made with great care. Recruitment through the Union Public Service Commission ensures objectivity and impartiality; but it suffers from some drawbacks. First, recruitment through the U.P.S.C. is necessarily a time-consuming process. Secondly, persons of proved merit already holding senior positions do not like to apply for posts advertised by the Public Service Commission and go through the usual procedure of a formal interview by the Commission. Special efforts will therefore have to be made to locate suitable talent wherever it may be found. The Planning Commission should be constantly on the look out for the best available persons. For this purpose, it should prepare and maintain a standing panel of officers qualified for employment in the Commission. Experience is as important as high intellectual ability. For the purpose of inclusion in the panel a minimum service, say, of ten years, as a senior officer at or above the level of a departmental head in the State or at the corresponding level in the Central Government should be insisted upon. A similar panel should be maintained in respect of persons working in the private and public sector establishments and in other walks of life. Selections for these panels should be made by a specially constituted committee which should include the Chairman of the Union Public Service Commission, the Chairman of the University Grants Commission and the Deputy Chairman of the Planning Commission. The President of the Federation of the Indian Chambers of Commerce and Industry should also be associated with the selection of persons from the industrial and commercial fields. Wherever necessary, an eminent expert may also be co-opted to advise the committee.

104. It is very important that senior positions in the Commission are not held by the same officers for a long time. They would lose practical touch if they stay too long in the Commission. All top appointments in the Planning Commission should, therefore, be made on a contract basis in the case of personnel drawn from the non-official sector and on a fixed tenure basis for persons taken on loan from the Government services. After their stipulated period in the Commission is over, they should go back to their parent organisations. In the case of government officials, the experience gained in the Commission would be of value to them in the discharge of their normal

functions, particularly in regard to planning of schemes and projects. Such of them as have done well should be brought back after a further spell in their parent offices. Even as regards the middle and lower level technical staff, there should be a personnel exchange programme between the Commission and sectoral agencies at the Central and State levels. This would promote among the staff working in the Commission and other sectoral organisations a proper appreciation of their mutual roles, and contribute to cross fertilisation of ideas.

105. In order to attract the best qualified persons from the private sector and other walks of life, the emoluments payable to such persons should be sufficiently high and need not necessarily be related to the accepted standards of remuneration in Government. In so far as Government personnel are concerned, it would be necessary to provide special attraction to them to come and work in the Commission. Grant of deputation allowance in terms of a percentage of basic pay is hardly the type of incentive likely to attract the talent working in other departments of Government. Human nature being what it is, people gravitate towards positions of power and patronage rather than high intellectual work for its own sake. A special type of incentive is therefore called for. It should not be in terms of monetary gain but in terms of career prospects. Conditions have to be created in which it should become a matter of prestige to be included in the panel of officials selected for work in the Planning Commission. Outstanding work done by a Government servant in the Commission should receive special consideration in the matter of selection for higher appointments.

#### **Recommendation 16**

**We, therefore, recommend that :**

- (1) Selection for appointment to senior positions in the Planning Commission should be made from a wide field covering the civil services, public and private sector undertakings and other walks of life. They should be made by a special committee consisting of the (i) Chairman, Union Public Service Commission, (ii) Chairman, University Grants Commission, and (iii) the Deputy Chairman, Planning Commission. The President of the Federation of the Indian Chambers of Commerce and Industry should also be associated with selection of persons from the industrial and commercial fields. Wherever necessary, an eminent expert may also be co-opted to advise the committee.
- (2) All top appointments should be made on a contract or tenure basis for a fixed period. As regards the middle and lower level technical staff, there should be a personnel exchange programme between the Planning Commission and sectoral agencies at the Central and State levels.



- (3) The emoluments payable to non-officials should be high enough to attract the best qualified persons and not necessarily be based on the normal standards of remuneration in Government.
- (4) Outstanding work done by a Government servant in the Planning Commission should entitle him to a special consideration in the matter of selection for higher appointments.

#### **Training in Planning Methodology**

106. The Study Team on Machinery for Planning has referred to the inadequate attention so far paid by the Planning Commission to develop specialised staff for doing its work. With the creation of State Planning Boards and Planning Cells in Ministries the problem of training of suitable persons to man the various positions in these organisations is likely to assume great importance. Planning needs a different kind of expertise from a mere specialisation in a given subject area. It involves an inter-disciplinary approach. It also calls for a special knowledge of the techniques of planning. Persons engaged in planning work would, therefore, have to be specifically trained for the purpose.

107. Training in planning will have to be broadly of three types. A large number of statisticians and economists will be employed on planning work. Training for them should be organised through specialised institutions like the Indian Statistical Institute and the Institute of Economic Growth. In the second place, technical experts specialising in different subjects like agriculture, education, sociology, technology, etc. have to be imparted suitable training in the methodology of planning. Thirdly, refresher courses will have to be provided for those who have already functioned as planners for some time.

108. The Study Team on Machinery for Planning has suggested that the training agency for the purposes of imparting training of the second and the third type should be one which is closely associated with the planning organisation. We believe that the Planning Commission itself will be the most suitable agency for imparting on-the-job training which will include rotation of the trainees among the various Divisions of the Commission. For other aspects of the orientation and refresher courses, it would also be necessary to draw upon the results of independent research studies in the improvement of planning process and techniques and the experience of other countries and different States in India. For this purpose, facilities available with professional bodies like the Indian Institute of Public Administration may be made use of.

#### **Recommendation 17**

**We, therefore, recommend that :**

- (1) It is necessary to make suitable arrangements for training of personnel engaged on planning work, in statistical and economic analysis and in techniques of planning.

- (2) Training for statisticians and economists to be engaged in planning work should be organised in specialised institutions like the Indian Statistical Institute and the Institute of Economic Growth.
- (3) The Planning Commission is the most suitable agency for imparting on-the-job training. For other aspects of the orientation and refresher courses facilities available with professional bodies like the Indian Institute of Public Administration may be made use of.

### **Programme Advisers**

109. The Planning Commission maintains a liaison with the States in the field of planning mainly through the Programme Advisers who were first appointed in 1952. They were expected to assist the Commission by making an assessment of the implementation of development programmes in the States and to advise it on the proposals put forward by the State Governments for their Five Year and Annual Plans. It was hoped that their close association with the implementation of the State plans and their knowledge of local conditions would enable them to make a significant contribution towards a more realistic formulation of plans. With their wide administrative experience, it was felt, that they would be able to provide suitable guidance to the implementing agencies in the States. Another role expected of them was to keep the Planning Commission as well as the Central Ministries fully posted with the progress of the Centrally aided and Centrally sponsored schemes.

110. Unfortunately, the institution of Programme Advisers, though well conceived, has not worked in the manner as originally intended. There are several reasons for this. There has been a very high turn-over of officers occupying this position. Since 1952, 18 persons have worked as Programme Advisers and many of them hardly for two years. Sometimes, the position of Programme Advisers has been used as a stop-gap arrangement. Not infrequently officers have tended to leave these posts as soon as they were able to get equivalent or higher assignments in an administrative department or Ministry. The original intention that the Programme Advisers would tour the States under their charge for about 15 days in a month has not also been borne out in practice.

111. Following our recommendations regarding the scope of the Commission's functions, its involvement in detailed State planning would be substantially reduced. The responsibilities of Programme Advisers in this regard would also, therefore, be considerably reduced. We are, therefore, of the view that they should be invested with the additional work of supervising evaluation.

112. It is sometimes suggested that the institution of Programme Advisers should be scrapped and that each of the Members of the Planning Com-

mission should be made responsible for looking after the plans of a specified number of States. There are, however, difficulties in adopting such a course. Each Member is already invested with an all-India jurisdiction in respect of specified subjects. If he were also given a territorial jurisdiction over all the subjects for certain States, there could arise tensions and conflicts between Members—one having a territorial jurisdiction over a subject and the other, an all-India jurisdiction. Further, their functional responsibilities as individual Members and their joint responsibility as a Commission would leave them very little time for the type of detailed work the Programme Advisers are expected to do.

113. We would, therefore, like the institution of the Programme Advisers to continue. They should be persons with wide knowledge and experience and should possess the qualities of a mediator and a negotiator. Their selection should not be confined to the officers of any particular service. It should be ensured that they stay in their positions for a period of at least five years. In case the services of a Programme Adviser are likely to be lost as a result of his being due for promotion elsewhere, he should be given the benefits of promotion even while continuing to work as a Programme Adviser.

#### **Recommendation 18**

**We, therefore, recommend that :**

- (1) The institution of Programme Advisers should continue. A Programme Adviser should have a tenure of at least five years.**
- (2) The Programme Advisers should supervise evaluation work in addition to their other duties.**

## CHAPTER V

### PLANNING MACHINERY IN THE STATES

114. We recommended in our Interim Report the constitution of Planning Boards in the States for formulating Plans and for evaluating plan performance. We would now like to spell out the functions of these Boards in greater detail. The main responsibilities of the Planning Boards should be as follows :

- (a) To make an assessment of the State resources and formulate plans for the most effective and balanced utilisation of those resources;
- (b) To determine plan priorities of the State within the framework of the priorities of the National Plan;
- (c) To assist district authorities in formulating their development plans within the spheres in which such planning is considered useful and feasible and to coordinate these plans with the State Plan;
- (d) To identify factors which tend to retard economic and social development of the State and determine conditions to be established for successful execution of the Plans; and
- (e) To review the progress of implementation of the plan programmes and recommend such adjustments in policies and measures as the review may indicate.

115. The Planning Boards should have their own secretariats to help them in the adequate discharge of these functions. The State Plans largely consist of investment in the fields of agriculture, irrigation, power and social services. The plan formulation wing of the State Planning Boards should, therefore, generally comprise three sectoral units—one for development of agriculture and allied areas including irrigation; the second to deal with power and also with industry and transport to the extent to which each State is concerned with these two latter subjects; and the third for social services. In addition it would be necessary to have a strong evaluation unit. This should be the normal organisational pattern of the State Planning Boards. Certain variations in the structure might, of course, be necessary in the light of the special requirements of individual States.

116. It need hardly be emphasised that the different units of the State Planning Boards would have to be manned by carefully selected personnel, capable of formulating well-coordinated and integrated plans. The existing position in this regard is not satisfactory. The work of planning is at present handled in a secretariat department of the State Government and

the personnel for it is drawn predominantly from the administrative services. There is paucity of persons with specialised knowledge or experience of planning. It is important to develop proper personnel through appropriate training programmes, for manning the various units of the State Planning Boards.

117. It would also be necessary to have Planning Cells in the development departments of the State Governments more or less on the same lines as envisaged for the Central Ministries. Their functions would also be similar to those of the Planning Cells in the Central Ministries.

#### **Recommendation 19 :**

**We therefore, recommend as follows :**

- (1) The functions of the State Planning Boards, the constitution of which was recommended in our Interim Report on the Machinery for Planning, may be as follows :**
  - (i) To make an assessment of the State resources and formulate plans for the most effective and balanced utilisation of those resources;**
  - (ii) To determine plan priorities of the State within the framework of the priorities of the National Plan;**
  - (iii) To assist district authorities in formulating their development plans within the spheres in which such planning is considered useful and feasible and to coordinate these plans with the State Plan;**
  - (iv) To identify factors which tend to retard economic and social development of the State and determine conditions to be established for successful execution of the plans; and**
  - (v) To review the progress of implementation of the plan programmes and recommend such adjustments in policies and measures as the review may indicate.**
- (2) The Board's secretariats should normally have four units : one dealing with Agriculture and Irrigation; the second with Power, Industry and Transport; the third, with Social Services and the fourth, with Evaluation.**
- (3) Planning Cells should be constituted in the development departments of the State Governments.**

#### **Planning at the District Level**

118. The idea of district and village planning emerged in 1954 when the Planning Commission asked the States to arrange for the preparation of such plans, especially in respect of agricultural production, rural industries and cooperation. The Second Plan assigned to the district a pivotal

position in the whole structure of planning. Planning at the district and village level was looked upon as an essential means of securing the maximum public participation and voluntary effort.

119. In practice, however, attempts at district and village planning have generally not been fruitful. The authorities responsible for preparing the district or block plans were not given any clear idea about the financial resources which would be made available to them. Even if they got some such indication they tried to inflate their demands to secure the maximum possible advantage in this regard. Nor has there been any clear appreciation of what the district plan should actually comprise and what should be left to the State level planning agency. The schemes adopted by the districts are not always relevant to the needs and possibilities of development of the district. Moreover, there is a lack of proper coordination among the different implementing agencies in the district and an absence of planning expertise. If the district planning exercises are to have any meaning, these shortcomings would have to be adequately rectified. In order that each district can make full use of its resources, it would be necessary to give some flexibility and freedom of action to the districts in drawing up and implementing the programmes best suited to their needs and potentialities.

120. We do not consider that any elaborate machinery for planning in a District is necessary. At the operational level planning cannot be divorced from implementation. A District Plan would necessarily have to be in the nature of identifying the particular potentialities of development of the District, an assessment of its crucial needs and formulating of specific measures to exploit the local resources and meet the local needs. The best arrangement, therefore, would be that the same set of persons who are responsible for implementation are also made responsible for planning. We would, therefore, like the work relating to planning at the District level to be handled by the developmental set-up in the district.

121. For the present we do not consider it feasible to have planning machinery at a level lower than the district. //

### **Recommendation 20**

**We recommend that Planning at the District level should be the responsibility of the developmental set-up in the District.**

## CHAPTER VI

### PROGRESS REPORTING AND EVALUATION

122. The term "evaluation" as applied to plan schemes has come to be used in common parlance to denote two different though allied concepts or sets of activities. In the first place it connotes watching the progress of the schemes with a view to ensuring their fulfilment in due time. Remedial action is taken by executive authorities if the review of progress brings to light factors which affect the smooth flow of work according to schedule. The second type of evaluation is concerned with assessing the extent of success or failure of programmes, analysing the factors responsible for such success or failure, measuring the impact of programmes on the economy, ascertaining people's reaction to them and deriving lessons for the future. The assessment of the second kind is not restricted to the programmatic side of the Plans; the policies underlying them also come in for appraisal. The first kind of appraisal is sometimes referred to as "short-term" or "internal" evaluation and the second as "long-term" or "independent" evaluation. For the sake of clarity we would designate the former as "Progress Reporting" and the latter as "Evaluation".

#### **Progress Reporting**

123. Arrangements for progress reporting need to be built into the administrative structure designed for the purpose of execution of particular project or programme. It is, however, important that the data regarding the progress of the more important schemes should reach the planning agency concerned soon enough if the latter is to be in a position to recommend immediately corrective measures and such changes in programmes as may be called for. It is imperative that the Planning Commission be kept fully posted with the progress of the crucial plan projects. It is on the execution of these projects according to schedule that the achievement of the overall plan targets depends.

124. The existing arrangements in the Planning Commission for this purpose are inadequate. The Commission created a separate Progress Unit in 1959 which was placed under the charge of a Director. However, this Unit was made a part of the Plan Coordination Section of the Planning Commission. As the Director of the Progress Unit had also to function as the Director of the Plan Coordination Section, the work of Progress reporting failed to receive the attention it deserved. Further, there are no arrangements at present for regular flow of information. The data for the purpose of progress reports are obtained *ad hoc* from the Central Ministries and the State Governments. On the basis of such data and the information collected from administrative reports, a few periodical progress reports have been brought out.

125. The present information system has to be improved substantially to ensure a constant and uninterrupted flow of information to the Commission from the States, the Central Ministries and other major implementing agencies. Timely fulfilment by the private sector of the tasks envisaged for it in the Plan is equally important. Methods will, therefore, have to be devised to obtain the data relating to progress from at least the large organised industries in the private sector.

126. On the basis of information so obtained, the Planning Commission should prepare every year a progress report bringing out the main trends in the progress of the Plan. The Commission should also suggest in this report the necessary remedial measures including adjustment in outlays, if needed, so that necessary modifications are carried out in time. The progress report should be made available to Parliament within six months of the completion of the Plan Year.

127. The State Planning Boards should also arrange to get information about progress of State Plan schemes and prepare a progress report within six months of the close of the relevant year. The Report should be placed before the State Legislature.

#### **Recommendation 21**

**We, therefore, recommend that :**

- (1) The Planning Commission should bring out every year a progress report on the performance of the plan programmes both in the public and the private sectors. The report should be presented to Parliament within six months of the completion of the Plan year.**
- (2) The State Planning Boards should also arrange to get information about progress of State Plan schemes and prepare a progress report within six months of the close of the relevant year. The report should be placed before the State Legislature.**

#### **Evaluation**

128. Evaluation, as distinguished from progress reporting, must be carried out by an agency which is not responsible for the execution of the programmes concerned if it has to be meaningful and independent. The Programme Evaluation Organisation (P.E.O.) of the Planning Commission was created in 1952 to evaluate the impact of the Community Development Programme on rural life. The P.E.O. was engaged in evaluating only this programme in its different aspects up to 1960 when the scope of its activities was extended to the entire field of rural development. The P.E.O. has helped develop evaluation methodology and has also provided some training to the evaluation personnel of the States. The organisation of the P.E.O. consists of its central headquarters in Delhi, five regional



evaluation offices and thirty-nine project evaluation units located in different parts of the country. The last two sets of agencies are engaged in collecting data at the field level and conducting field surveys. The data collected is coordinated in the regional offices and passed on to the headquarters. The head of the organisation is equal in status to the Chiefs of Divisions in the Planning Commission. There are, in addition, at the headquarters two Joint Directors and five Deputy Directors. They are assisted by a couple of Senior Research Officers, about ten Research officers and forty Investigators. A regional office consists of a Regional Evaluation Officer, one Research Officer and three Investigators. The project office has a Project Evaluation Officer and two Investigators.

129. The Committee on Plan Projects (C.O.P.P.) was constituted by the National Development Council in 1956 to organise investigations into the working of important Plan projects, to initiate studies for evolving suitable forms of organisation, methods and standards for achieving economy and efficiency in execution of projects and to promote efficiency audit of projects. The chief method employed by the Committee is to work through composite study teams. Each study team usually has an eminent non-official as its leader and a small number of members drawn from among both the administrators and technical experts. The teams are wound up as soon as they complete their work.

130. Though the studies conducted by the P.E.O. and the C.O.P.P. have been useful, there are many important programmes which have not yet been touched by either of them. Though the P.E.O. is concerned with the assessment of programmes in the rural sector, its evaluation is confined to a few Plan schemes at a time. In the case of COPPP the evaluation has been done on an *ad hoc* basis. It is true that evaluation by the Planning Commission cannot and should not cover all schemes and programmes in the Plan; but it is necessary that the crucial programmes are studied continuously and in depth.

131. There has been a tendency to assess the performance of a project more in terms of progress of expenditure than in terms of physical achievements. This is bound to give a misleading picture. Further, the time lag between the completion of the field work and finalisation of the evaluation report is too long and this vitiates the usefulness of the findings. Nor is there any systematic follow-up to find out how far these reports are being made use of by different agencies.

132. It is necessary to strengthen the existing evaluation machinery to remove these defects. The Planning Commission should have an Evaluation Wing which should include the present personnel of the Programme Evaluation Organisation as well as the staff in the Committee on Plan Projects engaged in evaluation work. This Wing should be properly manned with an adequate number of experts and headed by a senior offi-

cer. While a large number of the staff will have to possess a background of Economics and Statistics, it will also be necessary to bring in variegated expertise from fields like sociology, education, engineering and science.

133. The Evaluation Wing should be placed directly under the Deputy Chairman of the Planning Commission. This would help to high-light the importance of Evaluation. The Wing should mainly be concerned with the study of a selected number of Plan programmes in the Central sector. In regard to the State programmes, the evaluation should be entrusted to the State Planning Boards. However, even in respect of such programmes, the Commission could undertake a few studies on a sample basis. The Wing will also guide the State evaluation organisations.

134. Evaluation reports prepared by the Commission should be placed before Parliament.

### **Recommendation 22**

**We recommend that :**

- (1) **A separate Evaluation Wing adequately staffed with qualified persons should be created in the Planning Commission. It should be placed directly under the Deputy Chairman of the Commission.**
- (2) **The functions of the Evaluation Wing should be to study continuously the more important Plan programmes and schemes in the Central Sector, undertake sample studies of programmes in the State sector, and guide evaluation work in States.**
- (3) **Evaluation reports prepared by the Planning Commission should be placed before Parliament.**

### **Arrangements for Evaluation in Central Ministries**

135. Though independent evaluation will have to be done by the Evaluation Wing of the Planning Commission, we do not rule out the Ministries undertaking similar work in a few areas not covered by the Commission. Such limited appraisals as well as progress reporting would be the responsibility of the Planning Cells in the Ministries. The Cells should advise the Evaluation Wing of the Commission about the State Programmes that should be evaluated and also indicate the studies in which the association of an expert from the Centre is necessary.

### **Recommendation 23**

**We recommend that the Planning Cells in the Ministries should, in addition to their other duties, be responsible for carrying out a few evaluation studies in areas not covered by the Planning Commission. They will indicate to the Commission the programmes in different States which should be evaluated and also**

**the studies on which the association of an expert from the Centre is necessary.**

#### **Evaluation Machinery in the States**

136. Evaluation work in areas which fall within the jurisdiction of the States would have to be undertaken mostly by the State Planning Boards. The existing arrangements for progress reporting and appraisal of implementation of Plan programmes differ widely from State to State. Some of the States do have some kind of arrangement for evaluation either in their Planning Departments or their Bureau of Economics and Statistics. But these are not properly organised. Generally speaking, it is only the Community Development sector that has been systematically reported upon and reviewed. It is important that evaluation in the States also extends to most of the sectors of the State Plan with the possible exception of power and large industries which will be taken care of by the Planning Commission. An Evaluation Unit should be set up in each State Planning Board as an integral part thereof to meet the need for independent evaluation of the development programmes of the State. The Evaluation report should be placed before the State Legislature.

#### **Recommendation 24**

**We recommend that :**

- (1) The State Planning Boards should each have an Evaluation Unit for the evaluation of programmes in the State Plans.**
- (2) The evaluation reports should be placed before the State Legislature.**

## CHAPTER VII

### PLANNING AND PARLIAMENTARY COMMITTEES

137. As in the case of the Central Ministries, it has been the practice to constitute an Informal Consultative Committee of Members of Parliament for the Planning Commission. The Informal Consultative Committee appointed during the tenure of the Third Lok Sabha consisted of 101 members. From 1964 to 1966, the Committee met 22 times; and the highest attendance during this period was 34 and the lowest, 3. It has also been the practice since the Third Plan to involve the Members of Parliament in the process of plan formulation. A few committees of Parliament are appointed to discuss the different aspects of the Draft Outline of the Plan.

138. The Prime Minister also set up in December, 1958 a committee consisting of some Members of Parliament to discuss the Plan. This Committee was reconstituted in November, 1965, with the Prime Minister, five other Ministers and eight Members of Parliament as members. The attendance at the meetings of this Committee has been better than in the case of Informal Consultative Committee.

139. We have already recommended that the Planning Commission should place before the Parliament the annual progress reports on plan performance as well as its evaluation reports. Parliament would obviously like to discuss such reports. As Parliamentary time is very limited, it would be helpful if a special Committee of Parliament is constituted to go into these reports in detail and make necessary recommendations. This Committee should consist of about 25 Members of Parliament which would include leaders or deputy leaders of the various political parties in Parliament and a few independent Members. A similar practice may be adopted by the State Legislatures.

140. Parliament may also consider whether this special Committee should not also perform the functions of the Informal Consultative Committee. A smaller committee of the type suggested above would facilitate a deeper probe into the various issues involved in plan formulation. In our view, a departure of this nature from the prevailing practice of setting up an Informal Consultative Committee could be justified on the ground that the Planning Commission is an advisory body and not an administrative Ministry.

#### **Recommendation 25**

**We recommend that :**

- (1) **A special Parliamentary Committee of about 25 members, may be constituted to go into the annual progress reports on plan**

**performance as well as the evaluation reports laid before Parliament. A similar practice may be adopted in the States.**

- (2) Parliament may consider whether the Parliamentary Committee mentioned above should not also perform the functions of the Informal Consultative Committee.**

## CHAPTER VIII

### SUMMARY OF RECOMMENDATIONS

#### II—Plan Formulation

1. The Planning Commission when seeking guidelines from the National Development Council for the formulation of the National Plan should give a tentative framework of the Plan considered feasible by it and also indicate other alternative approaches calling for different degrees of effort. The basic features involved such as the rate of growth, the resources required and the sacrifices involved should clearly be brought out. Detailed work on the formulation of the Plan should proceed in the light of the guidelines given by the National Development Council.

2. When the Commission lays down the lines of a Five Year Plan, it should have before it a perspective of development over a longer period. The period may be different for different sectors of the economy, ten years for some, fifteen years for others and even a longer period for some others.

3. The Five Year Plan should take into account only such foreign aid as can be reasonably assumed to be forthcoming. It should also take into consideration internal contingencies like failures of monsoons which are a normal cyclical feature. There is no need for any separate 'Core Plan'. The entire Plan should provide for the maximum possible effort, based on a realistic assessment of resources.

4. Each scheme or project involving foreign aid should clearly set out the measures for dispensing with such aid in the shortest possible time and should also spell out the precise obligations, in this regard of all concerned.

5. (1) The composition of the Working Groups should be broad-based. Each Group should in addition to the official members include a few non-official experts selected having in view the subject matter of the Group. The Groups dealing with subjects falling in the State List should also have some specialists from State Planning Boards and State Governments.

(2) The Working Groups should be compact bodies presided over by Secretary or other senior officer of the Ministry concerned.

(3) The Working Groups at the Centre and their counterparts in States should maintain a close and regular communication with each other.

6. (1) The Planning Commission should, to the maximum extent possible, make use of the special advisory bodies which are set up by the Central Ministries.
- (2) Where the purpose is to ascertain the reactions of the interests concerned to the proposals of the Commission, the all-India associations representing those interests may be consulted.
- (3) Standing advisory committees may be set up for considering matters which cannot adequately be dealt with in any of the ways mentioned above or by the constitution of ad hoc bodies. These should be few in number. They should be compact bodies, with a membership not exceeding, say, fifteen. It should be ensured that persons selected to work on these committees are not already working on a number of other bodies and are able to devote sufficient time for the committees' work.
7. (1) Each Ministry concerned with developmental programmes should have a separate Planning Cell which should be small in size. It should be suitably manned by technical and professional personnel and headed by a senior technical officer or a Joint Secretary, as may be appropriate. It should function under the overall supervision of the Secretary of the Ministry.
- (2) The Planning Cells should primarily have the following functions :
- (a) to assist the Ministry and through it the Planning Commission in the formulation of the Five Year Plan by undertaking the necessary preparatory work; to get the necessary studies and research needed for the formulation of the Plan programmes carried out by the executive agencies and other bodies; to collect and maintain economic and statistical data relating to development and to provide necessary technical and other assistance to the Working Groups and the Development Councils;
- (b) to scrutinise and coordinate the detailed projects and schemes of the executive agencies under the Ministry and to ensure that the requirements of inputs and administrative implications of each project and scheme have been fully worked out and that the various projects are properly phased; and
- (c) to keep in touch with the progress of plan schemes and programmes and prepare the overall progress and evaluation reports on plan programmes now covered by evaluation by the Planning Commission.

- (3) Each such Ministry or Department should constitute an **Internal Standing Committee for Planning**. It should consist of the Secretary, Heads of Departments and other senior technical and administrative officers of the Ministry. The Committee should guide the Planning Cell in the discharge of its functions and periodically review the progress of implementation.
8. (1) At the time of the formulation of a Five Year Plan, the concerned Development Councils should be requested to prepare their own plans in the light of general guidelines to be given by the Planning Commission, and to send them to the concerned Ministries.
- (2) A few representatives of the Development Councils concerned with major industries should be associated with the formulation of the industrial programmes at the time of annual plan discussions.
9. (1) Detailed sectoral planning, including preparation and execution of individual schemes and programmes should be left to the State Governments.
- (2) The Planning Commission should confine its scrutiny to such schemes as involve a substantial amount of investment, a sizable foreign exchange component, considerations of inter-State nature, significant policy implications from the national standpoint, or implementation of basic national priorities.
10. The present elaborate system of annual plan discussions through a large number of Working Groups should be discontinued. The discussions in future may be concentrated on major issues like resource mobilisation, important policy matters, requirements of major projects and appraisal of performance in key areas. Detailed planning within such a framework should be left to the Central Ministries and States.

### III—Financial Assistance by the Centre for State Plans

11. (1) The amount of total Central assistance to be given to a State should first be determined. The amount to be given in the form of loans should then be worked out. The balance of the total assistance left after deducting the quantum of loans will be available for distribution as grants.
- (2) A certain portion of the amount available as grant assistance should be 'tied' to schemes or groups of schemes of basic



national importance. The remainder should then be distributed pro rata over other schemes or groups of schemes which are eligible for Central assistance.

- (3) The grants tied to schemes or groups of schemes of basic national importance will not be available for reappropriation. Grants originally allocated to untied schemes or groups of schemes may however be reappropriated to other schemes qualifying for Central assistance.
- (4) If there is a short-fall in implementation of State Plan taken as a whole and as a result the Central assistance utilised by the State is more than what would be proportionate to the expenditure met by the State out of its own resources (the correct proportion being one which was initially settled at the time of the finalisation of the Plan), there should be a corresponding reduction in the Central assistance. Necessary adjustment in this regard should be made after the close of the relevant financial year.
- (5) "Miscellaneous Development Loans" should be abolished after the introduction of the scheme of Central assistance in the manner prescribed above.
- (6) The number of Centrally sponsored schemes should be kept to the minimum and the criteria laid down for determining which projects should be Centrally sponsored should strictly be applied.

#### IV—Internal Organisation and Staffing of the Planning Commission

12. (1) The Planning Commission should be responsible only for formulating the objectives, laying down priorities, indicating broad sectoral outlays, fixing the basic targets and approving the main programmes.
- (2) The Planning Commission should itself not ordinarily undertake much of field research work. It should make maximum possible use of other official as well as non-official agencies concerned with research. The Commission should, as far as possible, utilise the operating agencies for the purpose of collecting data.
- (3) The Commission should not deal with individual references on plan programmes and schemes unless they pertain to major deviations from the Plan.

- (4) Officers of the Commission should not participate in the committees set up for the purpose of implementation of plan policies. The Commission should, however, be kept fully informed continuously about the actual operation of the policies.

13. The Planning Commission should give up all such work as is not germane to its functions, in particular the work relating to the Joint Technical Group on Transport policy and coordination, management studies, construction economies and promotion of socio-economic research.

14. The Planning Commission should take immediate steps to reduce its personnel and expenditure, in keeping with the redefined scope of its functions and reduction in work as suggested by us.

15. (1) The work of the Commission should be organised in three Wings, one dealing with plan formulation, the second with evaluation and the third with establishment matters.

(2) There should be only three functional levels in the Commission below the Members in the Plan Formulation Wing. These should comprise Advisers, Subject Specialists and Analysts.

(3) The number of Economic Investigators in the Formulation Wing should substantially be reduced.

16. (1) Selection for appointment to senior positions in the Planning Commission should be made from a wide field covering the civil services, public and private sector undertakings and other walks of life. They should be made by a special committee consisting of the (i) Chairman, Union Public Service Commission, (ii) Chairman, University Grants Commission and (iii) the Deputy Chairman, Planning Commission. The President of the Federation of the Indian Chambers of Commerce and Industry should also be associated with selection of persons from the industrial and commercial fields. Wherever necessary, an eminent expert may also be co-opted to advise the committee.

(2) All top appointments should be made on a contract or tenure basis for a fixed period. As regards the middle and lower level technical staff, there should be a personnel exchange programme between the Planning Commission and sectoral agencies at the Central and State levels.

(3) The emoluments payable to non-officials should be high enough to attract the best qualified persons and not necessarily be based on the normal standards of remuneration in Government.

- (4) **Outstanding work done by a Government servant in the Planning Commission should entitle him to a special consideration in the matter of selection for higher appointments.**
17. (1) **It is necessary to make suitable arrangements for training of personnel, engaged on planning work, in statistical and economic analysis and in techniques of planning.**
- (2) **Training for statistician and economists to be engaged in planning work should be organised in specialised institutions like the Indian Statistical Institute and the Institute of Economic Growth.**
- (3) **The Planning Commission is the most suitable agency for imparting on-the-job training. For other aspects of the orientation and refresher courses facilities available with professional bodies like the Indian Institute of Public Administration may be made use of.**
18. (1) **The institution of Programme Advisers should continue. A Programme Adviser should have a tenure of at least five years.**
- (2) **The Programme Advisers should supervise evaluation work, in addition to their other duties.**

#### **V—Planning Machinery in the States**

19. (1) **The functions of the State Planning Boards, the constitution of which was recommended in our Interim Report on the Machinery for Planning, may be as follows :**
- (i) **To make an assessment of the State resources and formulate plans for the most effective and balanced utilisation of those resources;**
- (ii) **To determine plan priorities of the State within the framework of the priorities of the National Plan;**
- (iii) **To assist district authorities in formulating their development plans within the spheres in which such planning is considered useful and feasible and to coordinate these plans with the State Plan;**
- (iv) **To identify factors which tend to retard economic and social development of the State and determine conditions to be established for successful execution of the plans; and**
- (v) **To review the progress of implementation of the Plan programmes and recommend such adjustments in policies and measures as the review may indicate.**

- (2) The Boards' secretariats should normally have four units : one dealing with Agriculture and Irrigation; the second with Power, Industry and Transport; the third with Social Services and the fourth, with Evaluation.
- (3) Planning Cells should be constituted in the development departments of the State Governments.

20. Planning at the district level should be the responsibility of the developmental set-up in the district.

#### VI—Progress Reporting and Evaluation

- 21. (1) The Planning Commission should bring out every year a progress report on the performance of the plan programmes both in the public and private sectors. The report should be presented to Parliament within six months of the completion of the Plan year.
- (2) The State Planning Boards should also arrange to get information about progress of the State Plan schemes and prepare a progress report within six months of the close of the relevant year. The report should be placed before the State Legislature.
- 22. (1) A separate Evaluation Wing adequately staffed with qualified persons should be created in the Planning Commission. It should be placed directly under the Deputy Chairman of the Commission.
- (2) The functions of the Evaluation Wing should be to study continuously the more important plan programmes and schemes in the Central sector, undertake sample studies of programmes in the State sector and guide evaluation work in States.
- (3) Evaluation reports prepared by the Planning Commission should be placed before Parliament.

23. The Planning Cells in the Ministries should in addition to their other duties, be responsible for carrying out a few evaluation studies in areas not covered by the Planning Commission. They will indicate to the Commission the programmes in different States which should be evaluated and also the studies on which the association of an expert from the Centre is necessary.

- 24. (1) The State Planning Boards should each have an Evaluation Unit for the evaluation of programmes in the State Plans.
- (2) The evaluation reports should be placed before the State Legislature.

**II—Planning and Parliamentary Committees**

25. (1) A Special Parliamentary Committee of about 25 members, may be constituted to go into the annual progress reports on plan performance as well as the evaluation reports laid before Parliament. . A similar practice may be adopted in the States.
- (2) Parliament may consider whether the Parliamentary Committee mentioned above should not also perform the functions of the Informal Consultative Committee.

Sd/- K. Hanumanthaiya  
Chairman

Sd/- H. C. Mathur  
Member

Sd/- H. V. Kamath  
Member

Sd/- Debabrata Mookerjee  
Member

Sd/- V. Shankar  
Member

Sd/- V. V. Chari  
Secretary

New Delhi, March 14, 1968

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