SUMMARY RECORD OF DISCUSSIONS OF THE NATIONAL DEVELOPMENT COUNCIL (NDC) MEETINGS

Five Decades of Nation Building
(Fifty NDC Meetings)

Vol - II
(15th to 25th Meetings)

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

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FIFTEENTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : APRIL 17, 1960

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE FIFTEENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

(i) PRICE POLICY FOR THE THIRD PLAN

This paper attempts in the main to state briefly the background to the problems of price policy in the context of the Third Plan and to set out the issues which may be considered by the National Development Council. A series of statistical statements are given at the end of the paper for ready reference.

I. The Economic Setting

2. In considering the ways and means of maintaining reasonable stability of the price level it is essential to consider together all aspects of economic policy. The course of prices does not depend merely on the relation between demand and supply in respect of individual commodities; there are wider aspects to be considered such as fiscal policy, monetary policy, commercial policy, wage and profits policy, and—not the least important—the extent to which the Plan is well-balanced. It is not proposed in this note to go into all these aspects. It may be self-evident that some prices cannot but rise, partly because of insufficiency of supplies relatively to demand and partly because of tax measures. The aim should be to keep the prices of essential commodities from rising, even though other prices rise.

3. The Third Plan will necessarily impose a strain on the country's resources. A step up in the rate of savings from the current level of 8 per cent or so to about 12 per cent by the end of the Third Plan is not easy of achievement. It is also to be borne in mind that with the rise in prices and cost of living that has already occurred and with foreign exchange reserves down to the minimum required, great care will have to be taken to ensure that the generation of money incomes and higher consumption demands within the economy does not proceed too far ahead of the availability of the goods and services to absorb these.

4. Basically, the problem is to secure a sufficient increase in the production of essential consumer goods like foodgrains and cloth, and also in the output of the raw materials needed to support rising levels of industrial production. In the resources estimates worked out for the Third Plan a limit of deficit financing via the budget is put at Rs. 550 crores. This calculation already takes into account the increases in national income postulated in the Plan. The target, for example, of increased food production over the Plan period is fairly high. Not unless the rates of increase in food production in the course of the Plan are higher than those implied in this target could there be a case for stretching deficit financing beyond the level suggested.

5. It follows that the tax effort envisaged in the Plan should actually materialise and that the necessary steps in this direction have to be taken right from the start of the Plan. The Third Plan, in a word, postulates a rigorous fiscal policy, both by way of increased taxation and through whatever economies in expenditure both on plan and non-plan items are possible.

6. The object of monetary policy over the last few years has been to permit and facilitate the desirable expansion in credit for productive purposes while keeping down at the same time the creation and use of credit for speculative purposes. Broadly speaking, this policy will have to continue in the Third Plan. The Reserve Bank has recently taken steps to curb unhealthy credit expansion. There is no doubt that a close watch on credit trends in the economy will have to be maintained throughout the Third Plan period. The desired regulation of credit can be brought about in various ways. The choice of techniques—whether through making credit dearer for all uses or through restricting its availability for particular uses—is, of course, a matter for the Reserve Bank to decide on in the light of emerging conditions.

7. Commercial policy can, under certain circumstances, be used to control inflationary pressures. The need, however, for the Third Plan period will be to increase exports and to keep down imports within the limits of available foreign exchange. This means that the impact of commercial policy is likely to be in the direction of raising rather than of lowering prices.

8. There is also the consideration that increases in production do not always take place as planned. The variations in demand are, similarly, not capable of any precise prediction. In a developing economy there are bound to appear imbalances between demands and supplies from time to time. Price policy has, therefore, to be framed with a view to meeting such imbalances as well and this can be done to the extent that the machinery for regulation is already at hand.

9. Need for longterm continuing policy for prices.—In a developing economy in which large expenditures take place, in the ordinary course, there is continuous pressure towards rise in prices in the case of a large range of commodities. It is widely recognised that any undue rise in price reduces the savings available for development and also leads to misdirection of the community's resources. Obviously, the most important factor in keeping prices down or preventing them from rising to any extent is increase in production and the ensuring of adequate supplies. In view of the existing gap, for instance, in the case of foodgrains, between the total demand and the supplies available, certain measures of control and regulation are required if relatively stable prices are to be maintained during the period of the Third Plan. By stability of prices is meant primarily that, as far as possible, changes in the prices of commodities should occur only in response to (a) changes in unit costs and (b) changes in taxation. The nature of the pressures on prices which have existed in recent years and those likely to be exerted during the next few years is well understood. It is, therefore, essential that, apart from unforeseen developments, price policy should be conceived of as a long-term continuing policy and administrative arrangements for implementing it should be made accordingly.

10. In terms of commodities the problems of price policy are conveniently reviewed separately with reference to the following:

(a) cereals, specially rice and wheat,

(b) food articles other than cereals,

(c) agricultural raw materials, and

(d) selected industrial commodities.

II. Agricultural Prices

11. Minimum Prices.—A large section of opinion has been in favour of minimum prices for

agricultural commodities, including foodgrains. It has been pointed out, that the assurance of minimum prices, if these are not fixed too low, will enable the farmer to undertake long-term investment in agriculture and will thus support the effort for increased production. On the other hand, it has been suggested that since any serious decline in agricultural prices is not a likely prospect in the foreseeable future and Government have already given a general assurance that they will take steps to prevent a situation in which prices decline to unremunerative levels, there is no need for fixing minimum prices. If minimum prices are to be fixed, obviously they have to be conceived as part of a more comprehensive price policy, so that steps are taken both to prevent prices from rising above or falling below certain levels prescribed by Government. The following are the questions for consideration:

(i) In relation to the production programmes envisaged for the Third Plan, is it essential to fix minimum prices for agricultural commodities? (For cotton, both floor and ceiling prices have existed for some years and no new policy appears to be called for).

(ii) Should minimum prices be fixed for foodgrains and, if so, for which foodgrains? In the earlier discussions on this subject in the National Development Council and elsewhere it was thought that minimum prices should be fixed for rice, wheat and jowar, maize, bajra and gram have also been sometimes suggested.

(iii) In case it is decided to fix minimum prices, for what period should they be announced at a time? There has been a suggestion that a period of at least three years would be desirable.

(iv) If minimum prices for foodgrains are fixed, what should be the margin between the present procurement prices for rice and wheat and the proposed minimum prices?

(v) At present there are no floor or ceiling prices for oilseeds. Are any steps called for in this connection?

(vi) The output of raw jute varies greatly from year to year in response to changes in international prices. Since raw jute and jute goods are commodities dependent to a large extent on export, it has not been possible so far to evolve a scheme of minimum prices for raw jute. What steps can be taken in this direction with a view to securing steady increase in the production of jute?

12. Review of policy: Decisions regarding State trading in foodgrains.—In April 1959, the National Development Council agreed to the scheme of State trading in foodgrains which had been embodied in a statement placed before Parliament in April 2, 1959. The Government accepted the objective of maintaining price levels which were fair to the producer and to the consumer and of reducing to the minimum the spread between prices paid by the farmer and those paid by the consumer throughout the season and over an agricultural cycle. Government agreed to a scheme of State trading divided into two parts, the ultimate pattern and an interim scheme. The ultimate pattern envisaged that farm surpluses would be collected through service cooperatives at the village level and channelled through marketing cooperatives for distribution through retailers and consumers cooperatives. Effective steps were to be taken for the development of consumers' cooperatives. Efforts were to be directed towards the speedy realisation of the ultimate objective.

13. During the interim period, a steadily increasing proportion of the wholesale trade was to be taken over by cooperatives, but wholesale traders were to be permitted to function as licensed traders who would make purchases on their own behalf, while paying specified minimum prices to

the farmer. The Government was to have the right to acquire the whole or a portion of the stocks from the licensed traders at controlled prices, the traders being at liberty to sell the remaining stocks to the retailers at prices not exceeding the controlled prices. While it was not proposed to fix controlled prices for retail transactions, the intention was to influence retail prices by continuing and, where necessary, by enlarging the operation of fair-price shops and by speedy formation of consumers' cooperatives. As an experimental measure, the possibility of purchase by Government of the entire marketable surplus of a particular foodgrain in certain selected areas was to be examined in consultation with the States concerned. The scheme accepted by Government was thus intended to provide for an orderly transition towards the assumption by the State of wholesale trade in foodgrains without suddenly dislocating the existing channels of trade or throwing excessive burden on the existing machinery of Central and State Governments. The policy statement of April 1959 also indicated that in the initial stages, State trading should be confined to the two major cereals, namely rice and wheat.

14. Discussion in N.D.C. in September 1959.—In September 1959, the National Development Council reviewed the working of the State trading schemes. It considered a paper on 'Food situation and policy' prepared jointly by the Planning Commission and the Ministry of Food and Agriculture which presented the implications of three courses of action, namely,

(a) free market economy on an all-India basis,

(b) creation of self-sufficient zones comprising two or more than two contiguous States, and

(c) individual States as separate zones with State trading and a basic national plan for procurement and distribution.

With reference to the decisions which had been reached in April, the Council did not make any new recommendations. In the course of discussion the Prime Minister drew special attention to the following considerations:

(i) Whatever course was followed, there had to be the fullest cooperation between the States and the Centre;

(ii) Stocks were essential for controlling the food situation and for stabilising prices, and these had to be built up in part at least from internally procured supplies;

(iii) There was agreement regarding the role of service and marketing cooperatives in the distribution of food. The building up of cooperatives was, however, closely linked with the implementation of the State trading scheme;

(iv) While surplus States had been generally in favour of constituting States as food zones and were ready to assure the procurement of quantities of foodgrains agreed upon by them, deficit States entertained doubts whether these guarantees would be adequately fulfilled.

15. Imports under P.L. 480 and buffer stocks.—Since September 1959, the main new development to be taken note of concerns the arrangements now under way for building up buffer stocks and for imports over the first four years of the Third Plan under P.L. 480.

16. Policy for wheat.—Imports of wheat under P.L. 480 are of the order of 3 million tons per annum and amount to nearly one-third of the internal production. It is for consideration whether, in the case of wheat, it would be necessary at present to adopt any special procurement measures

such as cordons etc. with a view to building up stocks from production within the country, Government's purchases being largely limited to what the market offers in the ordinary course at the prices fixed by Government?

17. Policy for rice.—Rice represents at present the crucial area in relation to food policy. It is agreed on all hands that since the total imports of rice, whether from Burma or elsewhere or under P.L. 480, can hardly be more than 2 to 3 per cent of the internal production, it is essential for the country to rely almost entirely on what it itself produces. Given this objective, what kind of administrative and other arrangements are most likely to facilitate its realisation? Two views have been urged. Both assume the largest possible effort on the part of all the States concerned to increase their production of rice.

(1) The first proposal is that the continuation of zonal arrangements which have existed in recent months and, if possible, further development along these lines will make it possible (a) to attract the maximum marketable surplus, (b) to manage with a minimum amount of import, and (c) to provide incentive for increase in production. It is also felt that these arrangements will be broadly consistent with a policy of maintaining prices at reasonable levels and that, in particular, they will help reduce disparities in prices between deficit and surplus areas. If some increase in prices does take place, to that extent production will benefit and the food problem will become easier of solution. In urging this view, attention is drawn to the practical difficulties which surplus States will often encounter in making available their surpluses for consumption in deficit States. It is further suggested that this approach will avoid resort to rationing and other measures which, besides being administratively burdensome and costly, can hardly be expected to be popular with the public.

(2) The second proposal is that in view of the special nature of the rice problem and in the context of rapid development arrangements relating to the procurement and distribution of rice should be deliberately and systematically planned on a long-term basis, the essential features of policy being the following:

- (i) There should be a basic national plan with reference to the surpluses and deficits of different States. In accordance with this plan, the Governments of surplus States should make firm commitments to provide the quantities agreed upon. Purchases within a State should be made either by the State Government or in accordance with the authority and directions given by it. A long-term policy for rice can be operated effectively only on the basis of responsibility within a State being squarely placed on the State Government in accordance with the basic national plan.
- (ii) State Governments should increasingly use cooperatives to purchase on their behalf. They may also buy directly and employ traders to the extent necessary. Each State should adapt its own experience and methods of procurement to the present requirements.
- (iii) In specified surplus areas, the system of monopoly procurement should be adopted by or on behalf of the Government, so that there is no competitive buying of foodgrains from the farmer.
- (iv) In cities with large populations and specially in metropolitan towns, distribution should be taken over by Government and suitable systems of "rationing" should be worked out. These might include the linking of consumers with specified shops, distribution to consumers' cooperatives and supply of requirements of large institutions in bulk.
- (v) State Governments may introduce, where necessary, a levy on large and middle producers.

18. Food articles other than cereals.—While food prices are undoubtedly the most important constituent in the cost of living of the bulk of the community, a significant part of recent variations in the consumers' price index has been due to changes in the prices of commodities such as chillies, vegetables, oil and sugar. Oil and sugar are referred to separately below. In the case of vegetables, regulation of control is not a feasible proposition, but output can be increased rapidly enough through measures of a local character. The price trends observed in regard to chillies are under examination.

19. Agricultural raw materials.—The most important of these are raw cotton, oilseeds and sugarcane. The general objective is that prices of foodgrains and other agricultural crops should remain in step with one another so as to ensure the attainment of production targets for different crops through the various positive measures which are provided under the Plan.

Raw Cotton prices have on the whole been steady, except for the recent spurt. The shortage this year on account of unfavourable weather conditions may require action by way of further imports and P.L. 480 or otherwise. No policy issues are involved.

Oilseeds prices have been influenced both by overall shortage and by speculative activities. It is necessary to secure rapid increase in production through positive measures of assistance. Should there be minimum prices for oilseeds? How far can the oilseeds market be organised more effectively, on the one hand, through the development of marketing cooperatives and, on the other, through purchase by oil mills at prices prescribed by Government? What steps can be taken to check speculative activity which frequently causes large fluctuations in the prices of oilseeds?

Sugarcane prices were raised at the beginning of the last crushing season and the higher prices are being maintained for the next year. A considerable part of the sugarcane goes into the production of gur and khandsari which are not under control. There is also frequently an appreciable difference between the factory price of sugar and the price paid by the consumer. What are the measures necessary to deal with this situation so that, on the one hand, sugarcane prices are in line with the prices of other agricultural crops, specially foodgrains?

III. Industrial Commodities

20. Industrial commodities.—From the aspect of price policy industrial commodities may be divided into (a) those important for agricultural production, (b) those entering into rural consumption, (c) those entering into common consumption or significant for the working class cost of living, and (d) imported commodities which are in common demand.

It is of the highest importance that when there are reductions in agricultural prices, these should be reflected quickly enough in corresponding reductions in the prices of industrial commodities. The necessary techniques and arrangements for achieving this object need to be worked out with reference to the more important commodities.

21. Among commodities important for agricultural production special mention may be made of fertilisers, cement, iron and steel for agricultural implements, coal for brick making, and wood. So far as iron and steel are concerned, more significant than the factor of price is the effort made to provide sufficient supplies and to organise a large enough programme for the introduction of improved agricultural implements. In regard to fertilisers, the need for administrative arrangements which will ensure that supplies are used for the purposes for which they are made available should be stressed. At the same time, there must be rapid increase in production and imports on an adequate scale in line with the phased requirements of the agricultural production programme.

22. The range of industrial commodities which enter into rural consumption is steadily increasing. At this stage the commodities which need to be specially watched and whose supply should be assured are cloth of the coarser varieties, kerosene oil and salt.

23. Among the industrial commodities which have significance for the working class cost of living and whose supplies at reasonable prices must be assured are cloth of coarser varieties, edible oils, kerosene oil and sugar.

24. It is observed that because of limited supplies and inadequate control over distribution the prices of some imported commodities which are in common demand tend to be pushed up from time to time, such as infant foods, drugs and medicines, betel-nut, etc. In what directions do the present arrangements for licensing of imports and for wholesale and retail distribution need to be reviewed? While the incidence of high prices for imported goods may be small, these lead to much adverse criticism of Government and large profits are made in distribution.

IV. Wages

25. Except in the case of changes in the prices of common consumer goods and of services such as housing and transport, increase in wages should be related as closely as possible to increased productivity as reflected in the value of output per man-hour. Secondly, schemes should be worked out whereby at least a part of the bonus payments which are made from time to time could be provided in some such form as small savings certificates or shares in public and private enterprises, etc.

V. Machinery for Review of Prices

26. Need for unified approach by Centre and States.-The implementation of a comprehensive price policy in the context of the Third Plan requires that there should be an agreed approach between the Centre and the States. The broader aspects of the economy are guided by the Central Government, but enforcement rests with the States and, insofar as price levels are influenced by the levels of agricultural production which are attained, the role of the States is of the greatest importance.

It is, therefore, proposed that (a) all State Governments should have suitable machinery for reviewing price trends and related economic developments at regular intervals and (b) the reports from States and those prepared in the Central Government, should be considered in their broader aspects by the National Development Council at its periodical meetings.

Enclosures: Statistical Statements

I. Index numbers of wholesale prices by Groups.

II. Foodgrains-index numbers of wholesale prices.

III. Agricultural raw materials-index numbers of wholesale prices.

IV. Selected industrial commodities-index numbers of wholesale prices.

V. Money supply with the public.

VI. Consumer price index numbers—Working Class.

VII. Progress of agricultural production-(a) production, (b) index numbers.

STATEMENT I

Index Numbers of Wholesale Prices by Groups

(1952-53 = 100)

	All Commodi-ties	Food Articles	Liquor and Tobacco	Fuel Power, light and lubricants	Industrial raw materials	Manufac-tures	Inter-mediate products	Finished products
1	2	3	4	5	6	7	8	9
1955	91.5	85.4	82.3	95.2	97.3	94.4	97.6	99.7
1956	102.6	99.0	82.3	101.6	113.2	104.9	110.0	104.1
1957	108.7	106.8	91.8	111.5	118.1	108.0	108.6	107.9
1958	111.0	112.0	93.7	115.2	114.7	108.2	109.4	108.0
1959	115.4	118.2	100.9	115.9	119.6	109.7	112.2	109.5
1959—								
January	112.3	114.3	103.6	114.8	114.2	108.4	110.5	108.0
February	113.3	115.7	104.4	115.1	115.5	100.4	110.6	108.0
March	112.3	113.8	100.3	115.6	116.2	108.2	109.4	108.0
April	111.9	113.1	97.5	115.6	116.2	108.1	108.4	108.1
May	114.0	116.1	98.6	116.4	119.5	108.2	108.3	108.2
June	115.6	118.7	97.6	115.9	102.3	109.1	108.2	109.3
July	116.8	121.0	98.9	115.8	120.2	109.2	108.5	109.3
August	117.1	121.7	98.3	115.6	119.4	109.5	109.2	109.5
September	117.1	120.5	99.7	116.1	121.9	110.0	111.3	109.8
October	119.3	124.0	101.14	116.4	122.6	111.1	114.4	110.5
November	118.3	121.5	104.6	116.2	122.6	111.6	116.0	110.9
December	117.8	118.2	103.7	116.8	127.2	113.1	112.8	112.4
1960—								
January	118.9 117.5 (R)	117.7	100.9	117.1	132.0 130.9 (R)	116.0	121.6	115.1
February	119.5	118.8	96.0	117.4	131.6	116.2	120.5	115.6
March	118.8	117.0	96.4	117.3	131.9	116.6	121.3	115.9
April 2nd	118.7	116.3	96.0	118.9	132.3	117.3	122.6	116.4

STATEMENT II

Index Numbers of Wholesale Prices — Foodgrains

(1952-53 = 100)

Average of months/ Average of Weeks ended Saturdays/ Week ended Saturday	All Commodities	Food Articles	Cereals	Pulses	Rice	Wheat	Jowar
1	2	3	4	5	6	7	8
1953-54	101.2	100.1	89	72	100	93	100
1954-55	89.6	82.1	68	49	82	75	77
1955-56	99.2	94.6	88	77	78	72	67
1956-57	105.1	101.7	99	83	97	88	123
April, 1956	100.0	95.9	89	74	92	79	111
May, 1956	100.9	96.6	90	73	93	79	112
June, 1956	102.1	99.0	95	75	95	82	120
July, 1956	103.4	101.0	95	78	97	85	121
August, 1956	106.4	105.0	99	81	100	88	125
September, 1956	106.8	103.6	99	81	101	87	127
October, 1956	106.6	104.0	98	79	100	87	133
November, 1956	108.6	106.9	100	84	99	92	136
December, 1956	107.9	104.8	97	87	94	94	127
January, 1957	107.2	103.2	95	86	93	94	119
February, 1957	106.9	104.1	100	87	98	97	119
March, 1957	105.5	102.3	99	84	97	95	119
1957-58	106.1	103.4	96	80	105	88	114
April, 1957	106.5	104.3	101	84	—	—	—
May, 1957	110.3	108.6	104	85	106	90	126
June, 1957	110.8	109.6	103	86	107	89	128
July, 1957	112.4	112.1	106	89	108	89	128
August, 1957	110.9	110.5	105	85	111	89	122
September, 1957	108.7	107.1	102	82	108	87	112

1	2	3	4	5	6	7	8
October, 1957	108.9	107.0	102	83	107	88	113
November, 1957	108.6	106.7	101	82	107	87	115
December, 1957	106.3	102.9	97	80	102	86	109
January, 1958	105.6	102.2	96	79	101	86	103
February, 1958	105.0	101.5	95	76	99	84	92
March, 1958	106.1	103.4	96	80	100	84	94
1958-59	111.7	112.7	107	109	105	105	105
April, 1958	107.6	105.7	98	—	103	85	94
May, 1958	109.0	108.7	101	84	106	86	92
June, 1958	113.3	116.1	107	94	111	93	100
July, 1958	115.9	119.8	112	103	115	97	106
August, 1958	116.3	121.4	116	105	118	101	109
September, 1958	116.1	120.6	113	105	118	105	108
October, 1958	116.0	121.0	113	113	115	109	107
November, 1958	112.5	115.1	107	112	108	112	105
December, 1958	110.8	112.2	104	110	98	114	104
January, 1959	130.7	116.2	107	123	92	125	107
February, 1959	112.0	113.7	103	114	92	124	112
March, 1959	111.7	112.7	101	109	92	114	110
1959-60	116.4	119.0	104.1	93.1	105.1	96.2	118.4
April, 1959	111.5	112.1	98	90	95	100	108
May, 1959	114.6	116.9	100	97	98	92	112
June, 1959	115.6	118.7	101.8	96.1	101.9	92.9	115.8
July, 1959	116.8	121.0	107.0	95.7	109.3	94.6	119.5
August, 1959	117.1	121.7	109.3	92.6	112.7	96.2	120.2
September, 1959	117.2	120.5	107.6	89.9	110.5	97.6	119.9
October, 1959	119.3	124.0	109.5	94.3	112.2	100.0	128.0
November, 1959	118.2	121.4	106.2	94.2	108.3	97.9	121.1
December, 1959	117.8	118.2	100.8	91.9	100.6	95.6	119.7
January, 1960	118.8	117.5	101.7	91.9	101.7	96.6	119.0
February, 1960	119.6	118.8	104.4	95.1	105.3	97.5	120.7
March, 1960	118.6	116.6	103.0	88.3	105.6	93.6	116.5

STATEMENT III

Index Numbers of Wholesale Prices — Agricultural Raw Materials (1952-53=100)

Years	Raw Cotton	Raw Jute	Ground-nut seeds	Oil seeds	Sugar-cane
1955	95	122	71	79	92.8
1956	109	122	107	115	91.0
1957	108	136	110	122	91.0
1958	100	121	113	124	90.9
1959	102	118	126	131	92.8
1959—					
January	101	112	112	124	90.9
February	102	112	117	126	90.9
March	102	114	121	128	90.9
April	102	113	122	127	90.9
May	105	113	132	134	90.9
June	105	115	135	135	90.9
July	101	118	135	135	90.9
August	102	118	129	132	90.9
September	102	119	135	136	90.9
October	100	119	130	135	90.9
November	102	123	120	131	102.3
December	108	140	122	131	102.3
1960—					
January	114	144	131	136	102.3
February	114	134	139	141	102.3
March	113	141	141	141	102.3

STATEMENT IV

Selected Industrial Commodities— Index Number of Wholesale Prices

(1952-53 = 100)

	Fertili-sers	Cement	Iron and Steel manu-facturs	Cloth (Mill)	Kerosene Oil	Salt	Aluminium	Edible Oil	Drugs and Medi-cines	Betel nuts	Coal
1	2	3	4	5	6	7	8	9	10	11	12
1955	86.0	98.8	114.6	106.9	88.5	103.6	103.9	81.3	89.3	122.2	100
1956	86.0	105.5	129.2	116.7	89.2	112.2	113.0	117.2	88.1	134.6	111
1957	93.7	123.0	138.8	119.8	93.2	133.1	119.2	128.3	89.3	158.4	125
1958	96.0	129.0	145.0	116.1	94.0	108.0	123.3	123.3	94.8	213.1	133
1959	96.0	129.0	145.3	114.9	94.0	106.2	128.3	127.0	103.8	215.7	134
1959—											
March	96.0	129	145	113.0	94	102	123	123.3	105	217	133
June	96.0	129	145	114.0	94	103	123	132.2	105	213	133
September	96.0	129	145	116.0	94	108	123	127.6	104	211	136
December	96.0	129	146	121.0	94	120	124	128.4	103	221	136
1960—											
March	96.0	129	148	129.0	94	124.7 (March19)	148	136.2 (March19)	103	228	135

STATEMENT V

Money supply with the Public

(Rs. crores)

Last Friday	Currency with the public	Deposit money with the public	Total money supply
1951-52	1216	587	1804
1952-53	1199	565	1765
1953-54	1229	564	1794
1954-55	1312	609	1921
1955-56	1505	679	2184
1956-57	1556	756	2313
1957-58	1607	782	2389
1958-59	1724	775	2499
1959-60			
April	1773	808	2581
May	1765	773	2538
June	1735	796	2531
July	1692	769	2461
August	1671	780	2451
September	1663	768	2431
October	1716	754	2470
November	1702	770	2472
December*	1753	766	2519
January*	1795	795	2590

*Provisional

STATEMENT VI

Consumer Price Index numbers—Working Class

(Year 1949=100)

	All India
1951-52	105
1952-53	104
1953-54	106
1954-55	99
1955-56	96
1956-57	107
1957-58	112
1958-59	118
1958	
October	123
November	122
December	119
1959	
January	117
February	118
March	117
April	117
May	119
June	122
July	124
August	125
September	124
October	126
November	126
December	122
1960	
January	122*

*Provisional

STATEMENT VII (a)

Progress of Agricultural Production—Production

(Thousand tons)

Crops	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57 (Partially Revised)	1957-58 (Partially Revised)	1958-59 (Final)
1	2	3	4	5	6	7	8	9	10
I. FOODGRAINS									
(a) Kharif Cereals									
1. Rice	20,251	20,964	22,537	27,769	24,821	27,122	28,282	24,885	29,721
2. Jowar	5,408	5,981	7,243	7,954	9,056	6,619	7,249	8,246	8,689
3. Bajra	2,554	2,309	3,142	4,475	3,463	3,374	2,885	3,522	3,791
4. Maize	1,702	2,043	2,825	2,991	2,928	2,561	3,009	3,036	2,990
5. Ragi	1,407	1,291	1,316	1,846	1,627	1,817	1,715	1,665	1,722
6. Small Millets	1,722	1,885	1,895	2,438	2,455	2,037	1,964	1,671	2,048
7. Total Kharif Cereals (1 to 6)	33,044	34,473	38,958	47,473	44,350	43,530	45,104	43,025	48,961
(b) Rabi Cereals									
8. Wheat	6,360	6,085	7,382	7,890	8,900	8,622	9,314	7,741	9,694
9. Barley	2,340	2,330	2,882	2,905	2,933	2,771	2,827	2,238	2,640
10. Total Rabi Cereals (8 & 9)	8,700	8,415	10,264	10,795	11,833	11,393	12,141	9,979	12,334
11. Total Cereals (7 and 10)	41,744	42,888	49,222	58,268	56,183	54,923	57,245	53,004	61,295
(c) Pulses									
12. Gram	3,593	3,334	4,142	4,756	5,532	5,332	6,264	4,979	6,826
13. Tur	1,692	1,801	1,675	1,834	1,692	1,832	1,954	1,412	1,662
14. Other Pulses	2,993	3,152	3,227	3,860	3,533	3,707	3,285	3,116	3,720
15. Total Pulses (12 and 14)	8,278	8,287	9,044	10,450	10,777	10,871	11,503	9,507	12,208
16. Total Foodgrains (11 & 15)	50,022	51,175	58,266	68,718	66,960	65,794	68,748	62,511	73,503
II. COMMERCIAL CROPS									
1. Oilseeds	5,076	4,949	4,659	5,285	6,298	5,643	6,176	6,051	6,919
2. Cotton (Thousand bales of 392 lbs. each)	2,910	3,133	3,194	3,944	4,250	3,998	4,735	4,739	4,705
3. Jute (Thousand bales of 400 lbs. each)	3,283	4,678	4,592	3,091	2,929	4,198	4,288	4,052	5,178
4. Mesta (Thousand bales of 400 lbs. each)	—	—	682	650	901	1,153	1,478	1,291	1,581
5. Sugarcane (Gur)	5,615	5,066	5,019	4,423	5,782	5,979	6,752	6,871	7,158

STATEMENT VII (b)

Progress of Agricultural Production—Index Numbers

(Agricultural year 1949-50=100)

Commodity Group	Weight	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59
1	2	3	4	5	6	7	8	9	10	11
I. FOODGRAINS										
(a) Cereals—										
i) Kharif—										
Rice	35.3	87.9	90.1	96.8	118.6	105.8	114.2	119.1	104.8	125.2
Jowar	5.0	89.8	96.4	106.6	117.0	132.3	96.7	105.9	120.5	126.9
Bajra	2.7	83.8	75.8	94.8	135.0	107.8	108.3	92.0	112.3	120.9
Maize	2.1	84.4	81.0	123.3	130.2	127.5	112.3	132.0	133.2	131.2
Ragi	1.2	87.6	80.4	82.0	115.0	108.6	119.7	112.9	112.0	115.8
Small Millets	1.5	88.9	97.4	97.9	125.9	126.8	105.1	101.3	87.9	108.2
Kharif Cereals	47.8	87.7	90.4	98.5	120.0	119.4	111.8	116.0	107.8	124.6
ii) Rabi—										
Wheat	8.5	101.1	93.9	112.7	120.0	135.4	131.3	141.6	116.5	145.9
Barley	2.0	105.6	100.0	122.4	123.2	124.4	118.5	120.9	95.1	112.1
Rabi Cereals	10.5	102.0	95.1	114.5	120.6	133.3	128.9	137.7	112.4	139.5
Cereals	58.3	90.3	91.2	101.4	120.1	114.5	114.9	119.9	108.6	127.3
(b) Pulses—										
Gram	3.7	98.0	88.2	109.2	125.4	145.9	138.9	163.2	129.7	177.8
Tur	1.1	91.8	97.7	90.9	99.5	91.8	99.4	106.0	76.6	90.2
Other Pulses	3.8	85.6	90.2	90.9	102.6	99.6	103.9	92.1	87.4	104.3
Pulses	8.6	91.7	90.3	98.8	112.0	118.5	118.4	124.5	104.2	134.1
Foodgrains	66.9	90.5	91.1	101.1	119.1	115.0	115.3	120.5	108.0	128.2
II. COMMERCIAL CROPS										
Oilseeds	9.9	98.5	97.4	91.9	103.7	122.6	108.6	118.9	113.8	131.5
Cotton	2.8	110.7	119.2	121.0	151.8	163.6	153.9	182.2	179.6	178.3
Jute	1.4	106.3	151.4	148.6	100.0	94.8	135.8	138.7	131.1	167.5
Mesta	0.3	100.0	104.8	103.3	98.5	136.5	174.7	223.9	195.6	239.5
Sugarcane	8.7	113.7	122.8	101.6	89.5	115.9	119.8	135.3	135.0	140.6

(ii) SUGGESTIONS OF STATE GOVERNMENTS REGARDING PRICE POLICY FOR THE THIRD PLAN: (A SUMMARY)

I. General Approach

1. The need for ensuring reasonable price stability in the period of the Third Plan is emphasized by all the States. Other comments made in this regard by Rajasthan, Bihar and West Bengal are set out below:

Rajasthan.—Price stability does not necessarily mean a complete elimination of price variations; local, seasonal and even cyclical variations; if only of a small magnitude, are quite consistent with stable prices.

Bihar.—A rise in prices is a necessary corollary to the plan, but, if incomes and costs move into quick equilibrium, a moderate rise is not altogether undesirable.

West Bengal.—The objective should be one which permits more or less steady prices with, if necessary, a slightly rising trend, in order to stimulate economic activity.

2. Assam, Madras, Orissa, Punjab, Uttar Pradesh and West Bengal in their notes have emphasized the fact that price structure is governed by a multiplicity of forces, like the supply of and demand for foodgrains and essential consumer goods, distributional arrangements, import and export policies, taxation, credit regulation, deficit financing etc. In order to tackle the problem properly, it is, therefore, necessary to have an integrated approach to the whole question of prices.

3. Most of the States in their notes have confined the discussion to the stabilization of agricultural prices; these, as stated in the Rajasthan Note, form the core of the price structure. The need for holding the prices of other consumer items has nonetheless been emphasized by all the States.

4. Almost all the States have emphasized the need for larger foodgrains production, adequate food imports, sizeable buffer stocks and the expansion of the cooperative movement. Several of them have stressed the need for keeping down deficit financing and for following a cautious wage policy.

II. Prices of Agricultural Commodities

(i) Announcement of Minimum Prices:

5. On this subject the views of the States are as follows:

Assam.—As an incentive to production a guaranteed minimum price to the cultivator as well as the procurement target for the next season should be announced well in advance of the sowing season.

Madras.—Prices of rice in the Third Plan period should be stabilised at the average level of the Second Plan. If prices decline, price support should be started; in any case prices should not be allowed to fall below 90 per cent of the average level in the Second Plan.

Orissa.—As in France, three kinds of prices should be announced: (a) 'target prices', which may be fixed for three or five years in advance, (b) 'Indicative prices' revising the target prices from year to year in the light of production and consumption trends, and (c) 'campaign prices' announced before the sowing season.

Rajasthan.—The minimum prices to be paid to the producer should be announced in advance for a period of five years. Maximum prices should, however, be determined from year to year.

Uttar Pradesh.—The prices paid to agriculturists this year should as far as possible be adhered to in the Third Plan.

Bihar.—The Government should give to the grower the assurance of a reasonable floor price so that he may have an incentive to expand production.

(ii) Level of Present Purchase Prices:

6. Andhra Pradesh, Madhya Pradesh and Orissa have suggested the raising of the present prices of rice and paddy.

Andhra Pradesh.—The price of IInd sort paddy in Andhra Pradesh should be stabilized at Rs. 22 per bag of 2 maunds at the village site (exclusive of the cost of gunny). If general price index rises significantly, prices of rice and paddy should also be increased. For example, for every 10 per cent increase in the general index, there may be a suitable increase in the price of paddy and rice.

Madhya Pradesh.—The present purchase prices of wheat, rice and paddy are low; they should be increased by Rs. 2/- per maund for wheat and rice.

Orissa.—The minimum rate for common paddy in Orissa should be Rs. 10/- per maund at market centres. In terms of rice, the following rates at market centres are considered minimum to protect interests of agriculturists and to step up production:

Common rice	Rs. 17/- per maund
Fine rice	Rs. 18/- per maund
Suprefine rice	Rs. 19/- per maund
Special Superfine rice	Rs. 20/- per maund

7. The view of the Punjab Government is that the present prices of wheat (Rs. 14/- per maund for fair average and Rs. 15/- per maund for superior average quality) are quite fair and should be maintained.

(iii) State Trading in Foodgrains:

8. Punjab and Assam support the interim scheme of State Trading at present in operation. Assam has, however, suggested some additional measures for making the scheme more effective, the important ones being

(a) an increase in the number of fair price shops,

(b) strengthening of the enforcement staff, and

(c) strict control over the milling standards.

9. Uttar Pradesh also supports the present regulatory measures adopted under the interim scheme of State Trading, but is of the view that there will not be much advantage in widening the scope further.

10. Madras is in favour of extending the scale of State Trading in rice so as to make the scheme really effective.

11. Bihar is totally opposed to any scheme of State Trading. The view of the State Government is that at present the real problem is that of a real shortage of foodgrains. This shortage, it is argued, cannot be evaded by any distributional devices. It can be made good only through imports and through increases in domestic production, for the attainment of which Government should remove all artificial embargoes on movement of food from surplus to deficit areas and should provide incentives to farmers in the form of reasonable assured flour prices. The present scheme of State Trading is not useful because of the following reasons:

(a) Under the present arrangements, the monopoly of government is never complete. The result is that when prices in surplus areas sag or in deficit areas rise, government agencies are not able to correct the situation—in fact restrictions on movement from surplus to deficit areas merely accentuate the imbalance;

(b) Normal trade functions more cheaply than government agencies;

(c) The present arrangements do not necessarily help in evening out seasonal variations in prices;

(d) If the government were to take up the entire foodgrains trade, they would be faced with a colossal problem of storage and handling. It is difficult to imagine how producers can be compelled to deliver their surpluses; even the job of assessing the surpluses of millions of farmers is not going to be easy.

(e) Under the present arrangements, government seek to meet the demand of deficit areas through imports of food from abroad, but since there are restrictions on flow of food from surplus to deficit areas, the deficit of the latter becomes greater still. Not only this, but the policy of selling imported grains at unrealistically low prices merely increases consumption and hampers the process of replacement of imports by internal production in deficit areas.

12. Bombay.-The efficacy of State trading with a view to hold the price line, especially in the existing psychology of the people and the form of Government accepted by this country is very doubtful. A review of these measures has revealed that there is considerable resistance on the part of the producer to increase his market surplus when the State undertakes trading activities.

(iv) Zonal Arrangements:

13. The view expressed by the Madras Government is that if imports of 3-4 million tons of wheat per year can be assured, it may not be necessary to devise an elaborate scheme of distribution in respect of wheat. In regard to rice, however, the problem is more complicated and an elaborate machinery of procurement and distribution has to be devised. Each State may, therefore, be declared a zone in itself; the movement of rice from one State to another should be only on government to government basis. Rajasthan supports this view. Kerala, which is a member of the Southern zone, on the other hand supports the system of composite zones. Orissa is also in

favour of composite zones with the only qualification that unlike the present Eastern zone of Orissa and Bengal; no composite zone as a whole should be a deficit area. Bihar is against putting any restrictions on the movement of foodgrains from one area to another and would, therefore, advocate the declaration of the whole country a single zone. West Bengal is also against the imposition of any restrictions on movement of foodgrains within the country as a whole. Bombay has also argued on the same lines.

(v) Internal Procurement:

14. Views of the States on this subject are as follows :

Madras.—For building up stocks of rice, the Government will have to resort to some form of procurement in surplus areas immediately after the harvest. In the existing pattern of administration, it is only the States which can exercise the necessary measure of authority for this purpose. The surplus of each State should be assessed, in advance of the harvest after the season has unfolded itself, at a conference of the representatives of the State Government with the Union Food Ministry. The Government of each surplus State should be directed to deliver a stipulated quota to the Central pool at specified prices.

In the Madras State a scheme of a limited levy would be adequate to meet the needs of the situation. Under this scheme, all paddy producers cultivating above 3 acres will be placed under a statutory obligation to deliver 5 bags of paddy per acre at a specified price to the agent of the Government who may be a cooperative society. In case of bigger producers, the levy may be on a slightly larger scale. If necessary, a similar compulsion can be imposed on traders also.

For the country as a whole, a target of million tons of rice may be fixed for procurement. This target may be distributed amongst the rice producing States. About 1½ million tons out of this would be deposited in the Central pool. The Centre may offer bonus of about Re. 1 per maund as an inducement to surplus States for prompt delivery into the Central Pool of the stipulated quotas. This will cost the Centre Rs. 4.2 crores, but this would mean a budgetary support to surplus States. If it is found that this incentive to surplus States is not adequate in itself, a scheme of sanctions against the States can also be devised.

Madhya Pradesh.—In all States, Government should organise purchase of foodgrains at minimum notified prices to protect the interests of the producers and, subject to quality factors, all stocks offered for sale should be purchased. Procurement in surplus States may be either on compulsory or on voluntary basis. Madhya Pradesh Government would like it to be in Madhya Pradesh on a voluntary basis.

Orissa.—A nationwide programme for gathering the surpluses, as and when they arise, is needed. Each State should be made responsible for mopping up the surpluses arising in that State. If necessary, States which are deficit may be linked to surplus States but the procurement in the surplus States should be done by that State itself. In other words, while for the purpose of procurement each State is treated as a zone, for the purpose of movement and distribution more than one State in a region may be treated as a zone.

Punjab.—The States should assume powers to exercise a direct control over the market conditions, short of complete control implying compulsory procurement and rationing. Under the Essential Commodities Act, Punjab Government has assumed powers to purchase the whole or the part of the arrivals at the mandis. The prices are fixed by the normal process of bidding in which the Government does not take part but no person can lift any part of the arrivals at the mandis till the Government share is taken. Millers have been forbidden from entering the grain market; the Government supplies to them adequate supplies of wheat at fixed prices from the procured and imported stocks. Dealers are not allowed to keep more than an authorised quantity of wheat depending upon the category in which they are placed. The Government have powers for requisitioning the stocks if considered necessary.

Rajasthan.—Government may make purchases directly or through the agency of cooperative societies or through traders. The cooperative societies should, however, be used more and more. Government purchases should be completed within three months of the harvest. To encourage farmers to bring foodgrains into mandis, the incentive of slightly higher prices in the first 2-3 months may be given.

Bihar.—Government may resort to purchases in surplus areas in favourable years on previously assured prices, not through intermediaries but through cooperatives and panchayats. Such purchases will augment Government reserves which should primarily be built up on imports.

Mysore.—A system of large-scale purchases by cooperative societies may be evolved by the next harvest. Large industrial establishments may be encouraged to make purchases of foodgrains for the benefit of their employees.

(vi) Rationing, Price Control and Licensing:

15. No State favours complete rationing. Most of the States agree that Fair Price Shops should be opened in larger numbers. Punjab, however, favours rationing in towns above 5 lakhs of population. Andhra Pradesh has suggested that price control measures should be adopted; anybody acting in contravention of those measures should be prosecuted. Some States have expressed themselves in favour of licensing of wholesale traders and suggest that larger producers and consumers holding stocks above a particular quantity should be covered by licensing.

(vii) Cooperative Sector:

16. Practically all the States have emphasised the need for expanding the cooperative sector which might provide the necessary link between the producer and the consumer and may eventually eliminate the middle man.

(viii) Special Organisations:

17. Suggestions made by various States in this regard are set out below:

Madras advocates the setting up of a high powered Authority with powers to issue directives to Central Ministries and State Governments. This Authority should work out the broad price policy, taking into consideration what is administratively feasible in the circumstances now prevailing in the country. It should keep a close watch over the implementation of the price policy and should issue necessary directives to correct the imbalances which come to light. This Authority will have to be an altogether a new body; redefining the functions of the Planning Commission so as to entrust to it the functions of the proposed Authority will not solve the problem.

Orissa suggests the setting up of a high level Price Stabilisation Board, more or less on the lines indicated by Ashoka Mehta Committee. The view of the State Government is that the recent proposal of the Union Food and Agriculture Ministry to set up a Statutory Board for fixing prices of food crops and sugarcane would not by itself meet the requirements of the situation; a Board which would determine the prices of all commodities is needed.

Rajasthan advocates the setting up of a high powered Committee to be known as Central Price Stabilisation Committee consisting of representatives of concerned Ministries at the Centre, Planning Commission and the Reserve Bank of India. Each State should also be represented on this Committee. The Committee should be helped by a Price Intelligence Division and should be charged with the task of determining the price level not only of food crops but also of other competing crops like cotton and oilseeds and industrial products like cloth, fertilisers and steel etc. This Committee should be advised by a non-official body to be called Central Price Advisory Committee to be composed of representatives of trade, consumers, banks, economists, agriculturists, industry and leading political parties. The Committee need not itself engage in actual operation of buying and selling; the operations of buying and selling should be left to the State Governments concerned.

Uttar Pradesh has suggested that a Price Stabilisation Fund should be created. With the help of this Fund a timely price support could be given when the prices available to the producer fall below a reasonable level, and to subsidise the selling price of foodgrains, when necessary, in order to make them available to the consumer at reasonable level. Large-scale purchases could also be made with the help of this Fund.

A Price Stabilisation machinery should also be set up at the Centre and in the States which may keep a careful watch over the price position and recommend necessary measures from time to time for maintaining the equilibrium.

Punjab has suggested that steps should be taken to evolve a machinery at the Centre for watching the behaviour of prices from time to time and for evolving remedial measures wherever necessary. The National Development Council should take up this question as a regular item for consideration from time to time.

(ix) Prices of Agricultural Commodities other than Cereals:

18. Andhra Pradesh, Assam, Madhya Pradesh and Uttar Pradesh have stressed the need for maintaining appropriate relationship between foodgrains and cash crops. Other comments made by the States in this regard are as follows:-

Andhra Pradesh.—It is necessary to extend price control measures to cotton, castor and groundnut and fix the prices at appropriate level based on rice prices.

Madhya Pradesh.—Ways and means should be found to reduce the prices of vegetable products. One of the important steps in this connection should be the extension and development of food and vegetable preservation industry.

Madras.—If control measures in respect of wheat and rice turn out to be successful, it would not be necessary to devise controls for other foodgrains.

Punjab.—In regard to sugarcane, since the supply position in 1959-60 is presumed to be appreciably better than last year, the question of bringing about decontrol all over India should be examined.

Bihar.—In the case of cash crops, higher prices on the whole serve as an incentive for increased production. Problems of marketing, storage, improvement in quality etc. are nonetheless important. In regard to jute and sugarcane, the problem of minimum prices needs to be reconsidered. For tobacco and chillies, better marketing facilities through cooperatives may ensure a better price to growers.

III. Prices of Industrial Goods and other Consumer Items

19. Most of the States have emphasised the need for keeping a certain parity between agricultural prices and other prices, especially of those commodities which are purchased by the farmer. Other points emphasised by the States in this connection are set out below:

Andhra Pradesh.—While the prices of most of the agricultural requirements like iron and steel, cement and fertilisers are already controlled, the main difficulty lies in their not being available in appropriate quantities and at the appropriate time. Government of India may take the necessary steps in this regard.

Madhya Pradesh.—Of the essential manufactured consumer goods, it is necessary to control prices of textile and woollen goods. The possibility of production of utility goods (such as standard cloth, agricultural implements etc.) and their distribution through Government agency should be examined.

Orissa.—Steps should be taken to control the prices of such essential commodities as baby foods, soda ash, paper, drugs, etc. Apart from a measure like the anti-profiteering Act, what is really needed is to assure adequate supplies of these commodities to a State like Orissa which has no direct importers.

Punjab.—In regard to cloth, what is needed is a satisfactory cotton policy coupled with a satisfactory manufacturing programme.

Rajasthan.—Prices of cloth, sugar, fertilisers, iron and steel should also be determined by the Central Price Stabilization Committee, about the setting of which the State government has made a suggestion. It is only a Committee of this nature which can take an integrated view.

Bihar.—From the point of view of cost of living it is not only the prices of foodgrains which are important, but also the prices of such items as cloth, sugar, gur, kerosene oil, edible oil etc.

Uttar Pradesh.—Prices of cotton textile have lately been under pressure because of the paucity of raw cotton. To meet the situation, if necessary, larger imports of raw cotton should be made.

IV. Wage Policy

20. In regard to wage policy, the two important points made by Andhra Pradesh, Madras, Punjab, Rajasthan and Mysore are (i) if prices of foodgrains and other commodities are stabilised, increase in wages should not be permitted excepting in cases of increased productivity, and (ii) if during the Third Plan period some wage increases have to be conceded, the increases in wages should compulsorily be diverted to small savings, provident funds or insurance schemes.

Bihar has suggested that all Wage Fixation Tribunals and similar bodies should be asked not merely to determine wages but to submit minimum standards of output also. Mysore has suggested that there should be a tacit agreement that during the Third Plan period no more Pay

Commission or Tribunals would be appointed.

V. Monetary and other General Considerations

(i) Deficit Financing:

21. Assam, Punjab, Rajasthan, Uttar Pradesh, Mysore and West Bengal have stressed the need for keeping down deficit financing in the Third Plan period.

(ii) Public Borrowings, Small Savings and other Fiscal measures for mopping up surplus purchasing power:

22. Punjab, Uttar Pradesh and West Bengal have suggested that surplus incomes in the hands of the consumers should be mopped up through loans and small savings schemes. In this connection the Uttar Pradesh Government has pointed out that no steps have yet been taken in the direction of compulsory savings and has suggested that necessary steps may now be taken for enacting the legislation. Another suggestion made by the Uttar Pradesh Government is to give some rebate in income-tax on money invested in small savings. Punjab Government has advocated the raising of rate of interest offered for small savings and other Government borrowings. West Bengal has advocated the enactment of an all-India legislation requiring the payment of bonuses in the form of savings certificates.

(iii) Fiscal and Monetary measures:

23. The suggestions made by the States in this regard are summarised below:-

Bihar.—Appropriate fiscal and monetary measures such as restrictions on credit, changes in interest rates, control on stock exchanges and forward trading, government borrowings etc. should be carefully planned and applied.

Mysore.—It would be more appropriate to resort to indirect action in the form of selective credit controls, monetary discipline etc. than to direct physical controls which, as past experience has shown, are undesirable. Tax evaders should be punished severely so that an atmosphere is created wherein it might be difficult for the speculator, the hoarder, the blackmarketeer, and other anti-social elements, to function to the deteriment of the country.

Punjab.—With a view to linking credit with the schemes directly productive, the whole policy of providing taccavi loans and other credit facilities should be systematically evaluated and rationalised.

(iv) Other suggestions:

24. Almost all the States have emphasised the need for augmenting the supply of consumer goods in the community through larger domestic production. Some States have also drawn attention to the need for cutting down of non-productive investment and for checking the growth of population.

SUMMARY RECORD

MORNING SESSION
APRIL 17, 1960

Initiating the discussion, Deputy Chairman said that the subject for consideration was Price Policy for the Third Plan and requested the members to express their views. He mentioned that the Governor of the Reserve Bank had also come as an invitee and later in the day he would be explaining the measures taken on the monetary side.

2. The Minister for Home Affairs, **Shri G. B. Pant** pointed out that there were three sets of paper for consideration— (i) letters received from the Chief Ministers, (ii) a paper prepared by the Planning Commission, and (iii) a paper circulated by the Food Minister. He felt that while making observations the Chief Ministers should keep all these three papers in view.

3. The Chief Minister, Madhya Pradesh, **Dr. Kailas Nath Katju** pointed out that there was general agreement on one point, namely, that maximum effort should be made to increase the production of foodgrains. From that point of view, the basic thing was the policy laid down by the National Development Council last year, namely, fair price to the producer as also to the consumer. In Madhya Pradesh about 30 per cent of the population were Harijans or Adivasis who had very limited resources and who could not afford to pay as consumers a high price. He, therefore, felt that the best course in the circumstances would be that each State should be a separate zone, private wholesale traders should be eliminated and direct contact should be established between the producer and the State, especially for the purpose of export. At the same time, he felt that the procurement price should be high enough to create a feeling in the producer that he was getting a fair deal. From this point of view he felt that if the procurement price of rice was raised by a rupee or two, there would be contentment and the producers would bring to the market and place at the disposal of the Government maximum quantities for export purposes. Madhya Pradesh would be then able to export the maximum quantity to Bombay. He drew attention to the experience of Orissa where as a result of the removal of the Statewise zone neither the producers nor the consumers had been benefited. He was of the opinion that recent experiences showed that the zonal system had worked to the advantage of every State and strongly pressed for its continuance. He was further of the view that we should not concentrate too much on foodgrains alone, prices of other consumer goods like vegetable oil, textiles, etc. had gone up sharply and adequate attention should be paid to the production of consumer goods. The price line should be held everywhere, and hence greater emphasis should be put on the production of consumer goods in the Third Plan.

4. The Chief Minister, Uttar Pradesh, **Dr. Sampurnanand** stressed the importance of being clear as to what was meant by holding the price line. He pointed out that cereal prices had not risen too much. In fact there was much greater rise in the prices of other food articles like vegetables, dairy products, etc. He felt that at the present moment we had better not think in terms of eliminating the private traders. Although not impossible, it was a task which would impose a very heavy burden on the administration. It would also bring in a number of undesirable elements. In his opinion, the method being followed at present was fairly satisfactory. He felt that greater effort was needed now to increase the production of vegetables and milk products. In particular, the State should undertake a regular campaign for encouraging dairying and animal husbandry just as there had been a campaign for growing more food. He felt that for some time to come we should stick to the price

which we were now paying to the producers. At the same time, consumers' stores should be set up at various centres and these should be brought directly in touch with the producers so that the difference between the producer's and consumer's prices could be lower. He emphasised the need for producing more of consumer goods. Some kind of parity should be definitely maintained between the prices of foodgrains and those of other consumer goods. There should be also certain powers with the Government to regulate the production not only of foodgrains but also of cash crops. In U.P. with the spread of irrigation, there was a tendency for the cultivators to give up the production of foodgrains and turn to the production of sugarcane. Such unplanned expansion of area under sugarcane might be disastrous in the coming years and might upset the general plan. On the other hand, there were certain areas where cotton could be grown but that was not being done. It was therefore necessary that the States should have powers for regulating cultivation. He further felt that a time had come when some amount of compulsion should be introduced in the matter of savings so that a small percentage of salaries, wages, bonuses, etc. might be available as savings. The question of taxation also required careful examination in this context. As regards procurement, they had a system of levy on traders in U.P. but he felt that it would not be honest to call that State trading.

5. The Finance Minister, Orissa, **Shri R. N. Singh Deo** emphasised that each State should be a separate zone for the purpose of procurement and the surplus procured should be earmarked for distribution in deficit States on State-to-State trading account. He pointed out that contrary to expectations the disparities in prices in the composite zone of Orissa and West Bengal had not become smaller. Before the composite zone was introduced, the disparity between Orissa and Bengal was about Rs. 5-8-0 per maund. After-wards, in the middle of February, it was as much as Rs. 7-8-0 per maund. There wag no doubt a slight fall of As. 8 per maund subsequently, but still the prices in Bengal were higher than in previous years. He felt that the Union Food Minister's views were mostly based on the experience of wheat. The situation for rice was quite different. Rice was deficit not only in our country but throughout the world and therefore deserved special consideration. There was general agreement regarding the procurement of rice in surplus States. But the question was what method should be employed. Orissa favoured monopoly procurement by the State Government for purposes of export although for internal distribution the ordinary trade channels might continue to be used. His own view was that Orissa should be treated as a separate zone. The State should procure at whole-sale level and export the surplus to West Bengal or to any other State on a State-to-State basis subject to the overall policy laid down by the Centre. The procurement price should be Rs. 10 per maund for paddy at rail-head. He complained that the specifications for inspection of paddy and rice were too rigid at present. There should be some relaxation so that all the rice and paddy which was fit for human consumption could be purchased and moved to deficit States.

6. The Prime Minister of Jammu and Kashmir, **Bakshi Ghulam Mohammad** said that the problem of prices was essentially one of demand and supply. As a result of greater prosperity farmers were now eating more and better. There was the effect of taxation also to be considered. Prices of industrial commodities had also had an effect on agricultural prices. He felt that it was not enough to control the prices of foodgrains. Prices of all essential commodities required to be controlled. Once that was done it did not matter very much if the prices of non-essential commodities went up. There had therefore to be a comprehensive policy regarding the prices of consumer goods. He felt that on such complicated questions it would be difficult to come to a decision in such a large gathering. He suggested that a small committee of the National Development Council should consider the pros and cons of various issues so that all basic aspects could be carefully considered

and some definite conclusions reached before the Third Plan began.

7. The Food Minister, Punjab, **Shri Mohanlal** pointed out that the foodgrain prices were the very base of the general price structure and should be given the main attention. But simultaneously, attention should be also paid to the prices of competing crops and the essential articles of need for the farmer like fertilisers, steel, cloth, sugar etc. So far as foodgrains were concerned, he felt that the present prices of Rs. 14 to 15 for wheat were fair for both the producers and consumers. These levels should be maintained for the Third Plan. He urged that the policy of State trading should be pursued. He did not share the Food Minister's view that there were only two extreme courses open. There was also a middle course and that was the one which was being followed in Punjab. In his view that was the only feasible and practical course in the present situation. He could say with confidence that the policy followed in Punjab had been quite successful. The procurement targets were actually exceeded. Powers of compulsory purchase were taken and it was left to the discretion of the Government whether under any particular circumstances, the whole of the produce or a part thereof should be procured. The bidding in the market was allowed to take place in the normal manner. But the Government had the first option to purchase either the whole or part of a particular lot at the price arrived at through open bidding. He clarified that the Government did not themselves participate in bidding. Another step that they took was to put the flour mills off the market. He felt that if flour mills were kept off the market all over the country, the Punjab method could be successfully followed in other surplus States also. The other important step which the Punjab Government took was to divide the licensed dealers into three categories, e.g. (i) those upto 250 maunds, (ii) between 250 to 500 maunds and (iii) more than 500 maunds. This enabled them to keep a careful watch on the stocks of the traders. They had also taken a number of anti-smuggling measures. He submitted that it was the measures taken by the Punjab Government rather than the benevolence of the Centre which were responsible for the success achieved in his State. He felt that the ideal arrangement should be for each State to be a separate zone and the surplus States to give an undertaking to make all the surplus available to the deficit States. He made clear, however, that he was not anxious to break down the northern wheat zone which comprised of Punjab, Jammu and Kashmir, Delhi and Himachal Pradesh and was working quite satisfactorily. But he was of the opinion that other States should be separate zones. He felt that the proposal of buffer stock was a very sound one and suggested that there should be buffer stocks not only at the Centre but also in the States. In addition he suggested that big towns with a population of five lakhs or more should be rationed and both marketing co-operative societies and consumers' co-operative societies should be strengthened and their services should be utilised more and more for purposes of State trading. Punjab had been able to do so quite successfully. In the matter of procurement, they had utilised the services of the marketing co-operative societies in about 40 mandis out of 108. In regard to the distribution of sugar in rural areas, the entire work was entrusted to consumers' co-operative societies.

8. The Finance Minister, Madras, **Shri C. Subramaniam** said that after reading the note circulated by the Union Food Minister, he did not know where we stood because the views expressed by the Food Minister were completely different from what was decided at the last meeting of the National Development Council. He was, however, glad that the Food Minister had expressed his views frankly. It was no use discussing what had happened in each State but the important thing was to take a basic decision first regarding general policy. The point for consideration was whether between total procurement and rationing on the one hand and complete State trading on the other, there was a third way, a via media—or not. No one desired total procurement and rationing but the question was whether we were going to have a limited form of State trading or we had to rely

entirely on market forces. In his view it would not be a good thing to leave the trade in foodgrains to the free operation of market forces. Unfortunately, the traders tended to speculate and their ranks were recently increased by the middle-sized farmers who had learnt to hold back their stocks and to wait for higher prices to come.

9. The Governor of the Reserve Bank, **Shri H. V. R. Iengar** drew attention to the overall economic setting. He mentioned that between 1950-51 and 1952-53 the national income went up while the money supply went down, with the result that prices declined. Between 1952-53 and 1955-56, national income went up by about 11 points. Food production also went up by 11 points and money supply increased by 24 points. Due to the increase in money supply there should have been an increase in the price level. In actual fact, however, there was a decline in the price level. The interesting thing was that the factor largely responsible for increasing the national income was food production which went up very substantially during this period. In the next phase, namely between 1955-56 and 1959-60, national income went up by 12 points and agricultural production experienced a series of ups and downs, falling from 114 to 106 and then going up to 126 while there was a large scale increase in money supply. The consequence was a continuous rise in the price index. The conclusion which one could legitimately draw was that although there was no mathematical relation between the increase in the money supply and the increase in the price index, there was nevertheless a close relation between the two and that one could take some risk with money supply provided there was a substantial increase in the agricultural production. As a result of certain analysis carried out in the Reserve Bank and from the discussion that they had with the International Economic Mission, they had come to the conclusion that during the First Plan period we could substantially increase our deficit financing without any inflationary effect. During that period the total volume of deficit financing amounted to Rs. 200 crores but it was possible to go up to Rs. 400 crores without any adverse effect on prices. In other words, if we had then the wisdom that we had, now, we could have pushed the economy much faster. During the Second Five Year Plan period, taking into account the budget estimates for the current year, the total volume of deficit financing would amount to Rs. 1,230 crores but the safe limit of deficit financing would not be more than Rs. 900 or 920 crores. The basic fact therefore was that during the Second Plan period we were having a degree of deficit financing which was considerably in excess of the safe limit mainly due to the reason that agricultural production had not kept pace with money supply. The lesson, therefore, for the future was that if we indulged in an expansion of money supply, which was faster than the increase in the general level of national income, of which agricultural production formed a large part, then we were bound to have an increase in the price level. It was important, therefore, to bear in mind that so far as the Third Five Year Plan period was concerned, unless there was a very substantial increase in food production, increase in price level was bound to recur. He reckoned that Rs. 550 crores was the safe limit for deficit financing for the Third Plan on the assumption of a substantial increase in agricultural production leading to an increase in national income by 5 per cent. If agricultural production did not go up substantially, and national income did not rise by 5 per cent, even a deficit financing of the order of Rs. 550 crores would be inflationary and the price situation would continue to cause a great deal of concern. As regards what could be done to control this situation by monetary policy, he pointed out that money supply comprised of two things, (i) the currency in circulation and (ii) the current deposits with the banks. The Reserve Bank had no control over the currency in circulation. It depended on the policy of Government. As regards bank deposit it amounted to only half the currency in circulation in India as against 6 to 7 times in United States and 4 to 5 times in England. The amount of control that the Reserve Bank could exercise over the monetary situation was, therefore, much more limited in India than in other countries. Nevertheless, the Reserve Bank tried to exercise overall control over

the volume of bank credit. In addition, they also tried to have selective credit control over particular sectors of the economy, foodgrains, stocks and shares, oilseeds, etc. While the total amount of money actually required for the purpose of movement and distribution of foodgrains was very large, e.g., of the order of Rs. 300 crores, the scheduled banks supplied a very small part of it—the maximum figure reached last year being only Rs. 30 crores. The balance came from the unorganised sector and was not subject to the control of the Reserve Bank. Therefore, the influence that the Reserve Bank had over the funds available for foodgrain trade was very limited but even so it had some psychological value. Although the bigger banks usually followed the directives of the Reserve Bank, some of the smaller banks practised subterfuges and tended to give clean advances in order to circumvent the selective credit control measures. The Reserve Bank had therefore to extend its control to clean advances also. This year the Reserve Bank tried to take some action in regard to stock market transactions. It produced some spectacular results in the beginning but subsequently things reverted almost to the same situation that obtained before the action was taken. It was not that the Reserve Bank did not have sufficient powers. In fact, it possessed very large powers and also exercised these powers from time to time. But the effect of the exercise of these powers was rather limited and some-what marginal. It could not correct any fundamental imbalance between demand and supply that there might be in the economy. As all the reports of the Chief Ministers had pointed out, the basic solution was not monetary but to redress the imbalance in the economy and to ensure that supply caught up with the increase in demand. He wanted to take this opportunity to controvert the view that the Reserve Bank had been giving large credit to co-operative societies and that was responsible for the rise in food prices. In the year 1959, the total amount advanced by Scheduled banks in the country against agricultural commodities was of the order of Rs. 150 crores. As against this amount, the co-operative societies had advanced only Rs. 6 crores. Except in particular pockets, the advances given by co-operatives, could not have, therefore, made any significant contribution to the general withholding of stocks from the markets by the cultivators.

10. The Chairman said that Shri Subramaniam had raised an important issue which had to be considered straight. He felt that in the afternoon the Council should take up this important issue for discussion.

The meeting then adjourned till 3 P.M.

AFTERNOON SESSION
APRIL 17, 1960.

11. The Chairman said that he had an apprehension that the subject might be talked out at the end. That would not be a good thing. Yet, in the nature of things, it was not an easy matter, apart from the difficulty of the subject, for such a biggish gathering to discuss except very broadly and generally. He felt that it might be worthwhile for a small committee of the Council to meet first and the full Council to meet later so that the discussions might be guided a little more and not become diffused. They had obviously to deal with important matters which took one to the Third Five Year Plan. He thought that one thing at least should be taken for granted. There was no escape from the fact that the Third Plan could not be made smaller. In fact all the pressures were for making it larger. So far as deficit financing was concerned, they knew the limitations. They could not simply go in for it as much as they liked without caring for the consequences. Discussions could not also continue indefinitely. Some time or the other they had to come to grips with these matters. Since, however, the Food Minister was leaving that evening, he would first of all request the Food Minister to address the Council. Thereafter, they should have a committee. The committee could not obviously report overnight. But it should now start considering the matter. The report could be finalised after the Food Minister came back.

12. The Minister of Home Affairs, **Shri Govind Ballabh Pant** said that the committee's report should come up before the Council after the Planning Commission and the Cabinet had given thought to it.

13. The Union Food and Agriculture Minister, **Shri S. K. Patil** said that the particular reason why he raised certain fundamental issues in his note was that in the last three meetings of the N.D.C. he had the feeling that in discussing these issues, although the Food Minister took some part, for most of the time he appeared to be in the dock. But the Food Minister had his responsibilities as the States had theirs. It was necessary to coordinate these responsibilities so far as the problem before them was concerned. They had no ideological differences on these matters. In food there should not be any ideology. So far as the solution of the problem was concerned, the approach should be pragmatic and practical. He had kept his mind open and would always continue to do so. However, he thought that he should for once give a clear understanding as to how his mind was working in regard to this problem. In his view, issues like State trading or zonal arrangements were not as significant as the issues like prices or increase in agricultural production. There was no difference of opinion regarding the importance of agricultural production but the question was how best to do it. The Planning Commission, the Cabinet and everyone else were trying their best that in the next 5 or 6 years the country should reach a position where there would be self-sufficiency in food. But there were certain factors which were very peculiar to this country which had to be taken into consideration. In the absence of knowledge about the food habits of the country and merely on the basis of the figures of food supply, a foreign economist could come to the conclusion that there was no shortage of food in India. For, in countries like U.S.A., Canada or Argentina, foodgrains comprised only 15 to 20 per cent of the menu. But in India foodgrains comprised 80 per cent of the menu. That was why the demand for foodgrains in this country was so high. This was an unhealthy practice. During the next 5 or 6 years along with our programme for increasing agricultural production, we had to consider how the consumption and production of not only foodgrains but also of other food stuff were going to develop. If the prices of other food stuff increased, the vegetarians in particular would be specially handicapped. But so far as the immediate future was concerned, the

rise in foodgrains prices was not likely to be so much that some hasty action was needed. The index number for cereals which was 102 in 1959 had risen to only 103 in 1960. Even this rise of 103 was due to a rise mainly in the price of rice. The prices of other grains, especially wheat and pulses had fallen. He would not call a level of 103 so far as cereal prices were concerned to be so high that it should make us feel nervous. In his view the food situation was gradually adjusting itself. It was by no means going out of control and he did not expect any trouble. While he admitted that there should be eternal vigilance in regard to the food situation, he emphasised that the position at the moment was not of such a type that some hasty action was needed. He did not feel that the differences regarding policy were such that no compromise was possible. In spite of the fact that during the last few months he had been freely expressing his view there had in practice been many compromises. This was because his approach was essentially a pragmatic one. In his view State trading was a means to an end. Wherever it could be useful, it might be tried. He felt that State trading might be even of greater significance than at present, say after five years, after we became self-sufficient in food for the simple reason that minimum prices would have to be guaranteed then. It was essential that we should not act in a manner which instead of giving an incentive to the farmer gave him disincentive. Besides, the conception of State trading should not be limited only to the present conditions of stress. It had a bigger aspect too. Even a capitalist country like the United States found it necessary to have a very big State trading organization. When he talked of buffer stock or food bank he had in mind a certain type of State trading for regulating prices. This stock could not be maintained merely with imported stuff. There had to be large purchases within the country to replenish these stocks. Moreover, a buffer stock could be not merely of foodgrains but also of other commodities, e.g. sugar. In fact, at one time he thought that a quarter million tons of sugar as a reserve would enable him to turn the corner. Luckily, he had a stock as much as 4½ lakh tons now. As a result, there was no longer any need for importing sugar. If the buffer stock of foodgrains could be immediately built up from imports, then during the next few years, we could give undivided attention to production so that at the end of the period, we could do without imports. He pleaded that the results of his buffer stock negotiations should be awaited the reactions they produced on market availability as also prices watched for some time. While he had got full sympathy for the surplus States, he had also to take an all-India view. His main concern was what was going to be the impact of a particular policy all over the country and not only in Madhya Pradesh, Punjab or Orissa. He was afraid that if he had to depend on the kind of procurement that the States were doing at present—not monopoly procurement but procurement of a voluntary type—for building up stocks to be distributed to the deficit States, he would indeed be a very unwise Food and Agriculture Minister of the Government of India. That way he could never succeed. That was why he was trying his best to increase production during the next five years and meanwhile depend on imports for meeting the deficit. Dr. Katju's fears referred to the year 1957-58, which was a most abnormal deficit year and had no particular bearing on the present situation when the crops were about 75 million tons. Dr. Katju thought an increase of rupee one or two in procurement price was the solution but where would this end. If the situation was normal, such a rise in procurement price was not really needed. On the other hand, if we gave every time a rise of one rupee, the appetite of the farmers would grow and similar demands would follow in future. The economy of the country could not be sustained in that manner. The real solution was to take such measures, e.g. use of fertilisers, etc. which would increase the yield per acre and thus increase the income of the farmer. Although his ultimate objective was to expand the zones until all India became one zone, he did not propose that Madhya Pradesh and Bombay should be joined tomorrow. Today, wheat which was purchased at Rs. 14 per maund was being sold in Bombay at Rs. 22 per maund in spite of the fact that the whole transaction was between Government-to-Government and no third party came in. This was not the way to solve the food problem. As regards the composite zone between Orissa and Bengal it had not been brought about under pressure. Moreover, that zone was there today only in theory and not in a real sense. For Orissa had been continuing a number of restrictions. The result was that out of a surplus of 4 lakh tons, only one lakh and eighty thousand tons were actually exported. Moreover, Orissa and Bengal were not really a normal zone because Orissa was surplus only to the extent of two lakh tons while Bengal was deficit to the extent of a million and two lakh tons. There was no self-sufficiency here unlike in the Southern zone. Last season although the Bengal Government had at first thought it would have a normal crop, suddenly a demand came that the crop was down by eight lakh tons. Supplies from the side of Orissa were not also normal, yet a rise in prices in Orissa was from Rs. 15 to Rs. 17 or 18 only. This rise could by no means be considered to be alarming because a rise to the extent of Rs. 2 was expected when the zone was formed. Some fair price shops were opened in Orissa and there were no purchases from those shops. That only showed that there was no need for these shops because prices had not risen unduly. He felt that one should wait for some time before one decided what was to be done. As for himself, he had no doctrinaire approach to the problem. If a separation of the two States was necessary from the larger interest of the country he had no objection to that. He felt, however, that State trading should be generally in the surplus States and that procurement in deficit States was really meaningless. Even in the surplus States the experience was that only 40 per cent of the surplus grain could be procured, the rest was smuggled out. Smuggling in its turn led to a rise in prices. As regards Punjab's claim that they had procured 1.7 lakh tons, he wanted to point out that in the northern zone the Centre had to give a supply of 3.5 lakh tons. The grain market in India had became very sensitive to psychological influences. In Cochin if news came that a ship was coming, there was a fall in the price of rice by Rs. 2 or Rs. 3. In this situation, the very presence of a buffer stock was bound to have a very good effect. His main objective was to create a situation of confidence. The fact that the farmers were holding some grain was not a bad thing in itself. In fact, 5 million tons of foodgrains should always remain in the pipeline with the farmers. When, however, the buffer stock was built up and the package programme for increasing food production was put through, there would be an improvement in the psychology and more stocks would come out of the farmers as there was more production. He felt that there was no fundamental difference between him and the Chief Ministers. Whatever difference was there was only on emphasis. He welcomed the idea of having a committee which would study the problem carefully and make necessary recommendations. This committee should also take into consideration how necessary incentives could be given to the farmers to increase agricultural production which was the real solution to the country's problem. This committee could also keep a careful watch over the food situation.

14. The Chairman said that it would be a good thing to appoint a small committee which should work during the next few weeks. This committee should consider only the basic things and not get lost over the prices of too many commodities. He suggested that the Chief Ministers of Orissa, Madhya Pradesh, Bombay, West Bengal, Punjab and the Finance Minister of Madras together with representatives of the Central Government and the Planning Commission might constitute the committee. This committee would of course consult other Chief Ministers or anyone else if necessary. The Planning Commission might function as secretariat of this committee.

As regards the limit to deficit financing, the Chairman recalled that 6 or 7 years back some international bankers were horrified at the very idea. Now people felt that in the first Five Year Plan period there could be Rs. 200 crores more of deficit financing.

15. The Governor of The Reserve Bank, **Shri H. V. R. Iengar** explained the background of the controversy that existed about deficit financing. He pointed out that the controversy was only about the limit and not the policy of deficit financing itself. He promised to send to the Planning Commission

a note on the subject

16. The Chairman then referred to the work or bunding that was going on at Sholapur. He was very impressed by the enthusiasm shown by the people. Such encouraging things were taking place all over the country and yet we were not taking full advantage of these possibilities.

17. The Union Minister for Food and Agriculture, **Shri S. K. Patil** referred to the good work for soil conservation that was being done at the Banthra farm in U.P.

18. The Chief Minister, Assam, **Shri B. P. Chaliha** said that since State trading was introduced the agriculturists had lost the normal source of credit. It was essential that simultaneously with the introduction of State trading adequate provision should be made for agricultural credit also.

19. The Chairman wished to know what was being done about democratic decentralisation. The Chief Minister, Rajasthan (Shri Sukhadia) explained that the system of democratic decentralization was started in Rajasthan only in October 1959. They had now panchayat samitis in all the 232 blocks, although they had community projects in only 160 blocks. All the panchayats were the members of the panchayat samitis which had been entrusted with subjects like primary education, public health, animal husbandry, agriculture, rural water supply, village industries etc.

20. The Chairman of the Panchayat Samitis were known as Pradhans and all these Pradhans formed the Zilla Parishad. The local M.L.As. were also members of the Zilla Parishad. They had also other members—2 from the scheduled castes and scheduled tribes. The experience of the last six months were that practically in all the areas the people had taken to democratic decentralisation enthusiastically. They had even imposed local taxes and in this way had been raising their own resources. They had built their own school buildings, dispensaries, etc. They had been also asked to prepare village production plans. In some villages they had already done this and others were gradually taking it up. People had now started realising that they had to develop themselves. Although not much success could be expected during a short period of six months, people who had visited said that the results were very encouraging. Formerly the villagers used to look for each and everything to the Government but now they were trying to build their own villages themselves.

21. The Chief Minister of Andhra Pradesh, **Shri D. Sanjivayya** then gave an account of the work of Panchayat Samitis in his State. He said in all the 254 blocks of the State Panchayat Samitis had been formed more or less on the same lines as were described by the Chief Minister of Rajasthan. So far the working of the scheme had proved to be very successful and it had the full co-operation of non-officials and officials. About 90 per cent of the 254 Panchayat Samitis were covered by multipurpose Co-operatives.

22. The Chief Minister of Assam, **Shri B. P. Chaliha** said that Assam had now passed a new Panchayat Act according to which more powers had been given to the Panchayats.

23. The Finance Minister, Madras, **Shri C. Subramaniam** mentioned that the first batch of 75 Panchayat Samitis would be coming into existence in Madras on the 22nd of October. The second batch of 150 blocks would come into existence on the 13th April next year, the Tamil New Year day and the last batch on the 13th October, 1961.

24. The Chief Minister of Bombay, **Shri Y. B. Chavan** explained that Bombay had got a Central Committee elected by the Panchayat Committees of the Districts which co-ordinated the activities of the various Panchayats. There was a lot of decentralisation. More money had been given to the village Panchayats. In villages some sort of farmers unions were coming up. They had been given

help for the implementation of the specific programmes and that had yielded very good results. The main difference between the Bombay system and that recommended by the Balwantrai Mehta Committee was regarding the level at which the Committee should function. In Bombay they felt that the block level tended to be a very small level. That was why they preferred the Taluk level.

25. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** mentioned that in his State they had introduced Village Panchayats, Block Panchayats and then Zilla Panchayats. They had now prepared a Bill which would shortly come up before the Legislative Assembly. In this Bill there was a special feature which he would like to mention. Their experience was that the introduction of elections created great bitterness and feuds amongst the villagers and therefore they were now taking the village families instead of the individuals as the unit. All the heads of families in a village would constitute the Gram Sabha. Then the Gram Sabha would elect a number of Standing Committees dealing with different subjects like Public Health, Education, etc. The Sarpanches of this Committees would form a working committee for the Gram Sabha. There was a provision that no one should be a member of more than two Committees so that an opportunity was given to the other members. So far as Zilla Panchayats and Block Panchayats were concerned they would be elected by the immediately lower body. He proposed to send copies of the Bill to all Chief Ministers and wanted to have their comments.

26. The Chief Minister, Kerala, **Shri Pattam Thanu Pillai** explained that elected bodies had been functioning in the villages throughout his State for the last 8 or 10 years except in certain parts of Malabar. They were soon going to enact fresh legislation to unify the law in Travancore-Cochin and also bring the entire State under the Panchayat Administration. They were now forming one service co-operative society for each village. They also proposed to form farming societies.

27. The Chief Minister, Mysore, **Shri B. D. Jatti** explained that the Panchayat Act of Mysore came into force on the 1st November last. Elections were just over and they were entrusted with all the powers that had been described by the Chief Minister, Rajasthan. There was, however, one difference in regard to area. In Mysore they had also a Taluk body as an intermediary between Village Panchayat and the District Council.

28. The Chairman concluded the meeting by saying that he had already mentioned the names of the Members of the Committee. So far as the Centre was concerned, all of them were at the disposal of the Committee. He suggested, however, that the Home Minister, Finance Minister, Minister for Food and Agriculture, Minister for Steel, Mines and Fuel and the Deputy Chairman and the Member for Agriculture of the Planning Commission should work as members of the Committee. Whenever there was need they could take any other Minister from the Central Government. He then made a brief reference to his proposed visit to the U.K. in connection with the Commonwealth Prime Ministers Conference as also the ensuing discussions with the Prime Minister of China.

The meeting then adjourned.

PARTICIPANTS

PLANNING COMMISSION

Shri Jawaharlal Nehru	.. .. ..	Chairman
Shri V.T. Krishnamachari	.. .. ..	Deputy Chairman
Shri Gulzarilal Nanda	.. .. ..	Minister of Planning
Shri Morarji Desai	.. .. ..	Member (Finance)
Shri V.K. Krishna Menon	.. .. ..	Member (International Trade & Development)
Shri C.M. Trivedi	.. .. ..	Member (Natural Resources)
Shri Shriman Narayan	.. .. ..	Member (Agriculture)
Shri T.N. Singh	.. .. ..	Member (Industry)
Shri A.N. Khosla	.. .. ..	Member (Education)
Shri S.N. Mishra	.. .. ..	Deputy Minister of Planning
Shri L.N. Mishra	.. .. ..	Parliamentary Secretary to the Minister of Planning
Shri Vishnu Sahay	.. .. ..	Secretary

STATES

Andhra Pradesh	.. .. ..	Shri D. Sanjivayya, Chief Minister
		Shri Pattabhiraman, Education Minister
Assam	.. .. ..	Shri B.P. Chaliha, Chief Minister
Bihar	.. .. ..	Dr. S.K. Sinha, Chief Minister
		Shri L. Sahai Agriculture Minister
Bombay	.. .. ..	Shri Y.B. Chavan, Chief Minister

		Dr. Jivraj N. Mehta, Finance Minister
Jammu and Kashmir	.. .. ..	Bakshi Ghulam Mohammad, Prime Minister
Kerala	.. .. ..	Shri P. Thanu Pillai, Chief Minister
		Shri R. Sankar, Dy. Chief Minister
		Shri P.T. Chacko, Home Minister
Madhya Pradesh	.. .. ..	Dr. K.N. Katju, Chief Minister
		Shri M.L. Gangwal, Finance Minister
		Shri S.L. Tewari Public Works Minister
		Shri Bhagwantrao Mandloi, Industries Minister
Madras	.. .. ..	Shri K. Kamaraj, Chief Minister
		Shri C. Subramaniam, Finance Minister
		Shri M. Bhaktavatsalam, Home Minister
Mysore	.. .. ..	Dr. K.K. Hegde, Health Minister
Orissa	.. .. ..	Shri R.N. Singh Deo, Finance Minister
Punjab	.. .. ..	Sardar Partap Singh Kairon, Chief Minister
		Shri Mohan Lal Food Minister

Rajasthan	Shri Mohanlal Sukhadia, Chief Minister
Uttar Pradesh	Dr. Sampurnanand, Chief Minister

UNION MINISTERS

Shri G.B. Pant	Minister of Home Affairs
Shri Jagjivan Ram	Minister of Railways
Shri Lal Bahadur Shastri	Minister of Commerce and Industry
Sardar Swaran Singh	Minister of Steel, Mines and Fuel
Shri K.C. Reddy	Minister of Works, Housing & Supply
Shri S.K. Patil	Minister of Food and Agriculture
Dr. P. Subbarayan	Minister of Transport and Communications
Shri S.K. Dey	Minister of Community Development and Co-operation
Shri B. Gopala Reddy	Minister of Revenue & Expenditure
Shri B.R. Bhagat	Dy. Minister of Finance
Shri A.M. Thomas	Dy. Minister of Food
Shri H.V.R. Iengar	Governor, Reserve Bank of India
Shri P.C. Bhattacharayya	Chairman, State Bank of India

SIXTEENTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : SEPTEMBER 12 & 13, 1960

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE SIXTEENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

(i) CONSIDERATION OF THE DRAFT OUTLINE OF THE THIRD FIVE YEAR PLAN

The Draft Outline of the Third Five Year Plan published early in July 1960 follows closely the conclusions and recommendations of the National Development Council at its meetings in April 1959 and March 1960. The Draft Outline has already been discussed at length in the press and in Parliament. Parliament has set up five committees which will consider the Plan in greater detail.

The National Development Council may wish to consider specially those aspects of the Plan which bear on the preparation and execution of the plans of States. In this connection, a paper on the principal considerations determining outlays under the plans of States has been circulated separately. A paper giving an overall assessment of financial resources for States and pointing to some important policy issues has also been submitted. On the subject of Price Policy, a paper to be considered by the special committee set up by the National Development Council in April 1960 has been circulated for information.

For the further stages of work prior to the submission of the draft of the final report to the National Development Council in February 1961, attention is invited to the following aspects:

1. Discussions with States

Discussions regarding financial resources of States began about a month ago and will conclude in a few days. The results of these discussions will be considered between the Planning Commission and the Chief Ministers of States in the series of discussions regarding the draft Plans of States which commence on September 17 and conclude about the middle of November. These latter discussions are intended to focus attention on the major physical targets to be realised and the determination of the principal magnitudes for outlays and resources to be adopted by States for presenting their own revised plans which will be eventually embodied in the Plan. It is proposed that the plans of States should be brought together in a separate volume to be prepared along with the final report on the Third Plan.

2. Review of financial resources

It is expected that as a result of the discussions to be held between the Planning Commission and the Chief Ministers of States, the estimates of resources which are at present being worked out will be suitably revised in the light of the discussions on the plans so as to ensure that each State contributes its maximum towards the financing of its own plan.

3. District and Block plans

In the following fields, the proposals of States are intended to be formulated to a large extent at the district and block level;

(a) Agriculture, including minor irrigation, soil conservation village forests, animal husbandry, dairying, etc.;

(b) Development of co-operatives;

(c) Village industries;

(d) Elementary education, specially provision of school buildings, land, equipment, etc. by local communities as their contribution;

(e) Rural water supply and programme of minimum amenities, including construction of approach roads linking each village to the nearest road or railroad; and

(f) Works programmes for the fuller utilisation of manpower resources in rural areas, including (1) works projects included in the plans of States and local bodies which require skilled and semi-skilled labour, (2) works undertaken by the community or beneficiaries in accordance with the obligations laid down by law, (3) schemes to enable the community to build up remunerative assets, and (4) supplementary works programme for areas in which there is a high incidence of unemployment.

Instructions for the preparation of local plans have been issued by a number of State Governments. It is realised that the proposals made by States which will be considered in the next three months will be based only partially on the results and possibilities indicated by local plans. It is hoped that when the final proposals of State Government are received at the end of the year, State Governments may be in a position more fully to take account of the targets thrown up in the selected fields in the plans prepared by districts and blocks.

4. The Plan in relation to weaker sections of the community

As explained in the Draft Outline, it is a major objective of the Plan that through its implementation, the vast majority of the population should benefit and, in particular, the weaker sections of the community should be enabled to come up as speedily as possible to the level of the rest. There has been widespread criticism that in their implementation the various development programmes which are carried out by the Centre and the States do not achieve this object in sufficient measure. This aspect may be considered by the National Development Council with a view to proposing such further steps as may be necessary. In this connection, it may be mentioned that the Planning Commission shortly propose to set up an expert committee to report on trends in the distribution of income and wealth and changes in the level of living during the First and the Second Five Year Plans.

5. Administration and the Plan

In the recent discussions in the press and in Parliament, much stress has been laid on the need to ensure efficient administration in relation to the Plan. The administrative aspects of planning were examined fully in the First and the Second Plan, and the considerations which are of special importance at present have been set out in Section 1 of Chapter V of the Draft Outline. Among these reference may be made to the following:-

(i) The need to eliminate all such factors as tend to slow down the pace of execution. There should be much greater emphasis on fixing specific individual responsibility for producing results within agreed time-schedules.

(ii) The need to build up middle grades of personnel, so that they carry an increasing share of responsibility for day-to-day administration.

(iii) The need, within the administration itself, for continuing leadership in securing steady improvement in administrative efficiency and standards.

It has been suggested that the higher ranks of the public services might be enabled to provide such leadership. In the States this object might be secured if a group of senior officers including the Chief Secretary were required to function as a Committee on Administration which reports to the Chief Minister and the State Cabinet and is charged with continuing responsibility for proposing measures of improvement in the standards of administration and for reviewing action taken by various departments.

(iv) Ensuring, in respect of important construction projects, that the best results accrue for the expenditure incurred and there is integrity and economy at all points.

It is proposed that there should be systematic audit of physical performance in all public enterprises, both in the construction stage and subsequently. In the construction phase, it is specially necessary to ensure that the physical assets created are commensurate with the original estimates and the designs. There should be independent units, located within the projects themselves, for carrying out test checks of performance and assisting the responsible authorities in enforcing efficiency, economy and integrity at every point.

(v) Ensuring the utmost economy in construction costs and in the scale on which building programmes are undertaken.

(vi) Ensuring the right public relations and co-operation from and with the public, including due consideration for all citizens, so that there is a sense of confidence and satisfaction at all points at which the administration comes into contact with the general public.

6. Agricultural production

The Draft Outline has placed the greatest stress on agricultural production. This holds the key to the success of the Plan. Besides providing resources on a large scale for the development of agriculture, the assurance has been given in the Draft Outline that the financial provisions proposed will be reviewed in the light of the targets and requirements assessed by State Governments on the basis of the area agricultural programmes which are now under preparation. The intention is that sufficient resources should be available for the essential agricultural programmes so as to draw out the physical potential that exists in each area to the utmost extent feasible. It has been emphasised that-

(a) The main task of the community development movement is to organise the agricultural effort at the village level. Above all, at the present juncture, the movement must be an effective agricultural extension agency. The community development organisation should accept responsibility for achieving the targets of agricultural production on the basis of the widest possible participation by local communities on the basis of village agricultural production plans. On their part, the State Agriculture Departments must place at the disposal of the community development organisation at the block level the supplies, trained manpower and other resources needed.

(b) In each area schemes should be selected after careful surveys and should be investigated fully before execution, so that in relation to the outlays incurred, the maximum benefits are secured.

(c) The lessons which have been learnt from the experience of utilising irrigation during the second plan should be carefully applied to each project and scheme so as to secure speedy benefits from the available irrigation. (These lessons are briefly stated at pages 181-182 of the Draft Outline).

(d) Overlapping financial provisions which are made for similar activities under the agricultural and community development programmes should be eliminated as far as possible.

(e) Programmes of minor irrigation, soil conservation, contour bunding and dry farming should be worked as community programmes in which local contributions in money and in labour have a leading role.

(f) Fifteen districts, one in each State, have been selected for intensive agricultural development. In these a concentrated effort is to be made to reach all farmers through co-operatives and panchayats and to organise village production plans which will involve all agricultural families.

(g) In view of the present unsatisfactory position of programmes relating to the use of improved agricultural implements, a special effort in this direction is considered urgent. It is proposed that in every State there should be at least one centre run by Government for the manufacture of agricultural implements of improved types of which other manufacturers can turn for technical advice, designs and other guidance. States have to ensure that there are effective programmes for (i) selection and demonstration of the improved implements which have been recommended, (ii) training of village blacksmiths and carpenters in the repair and manufacture of the implements, (iii) close co-operation between research and extension agencies and the implements industry, and (iv) satisfactory arrangements for the supply of steel and for transport and distribution.

7. Utilisation of rural manpower

The Draft Outline has stressed the need for harnessing the manpower resources available in rural areas for an intensive and concentrated effort in agriculture. In consultation with Chief Ministers, the Planning Commission evolved proposals for the utilisation of rural manpower which are set out in Section 2 of Chapter V-Policy and Organisation (Pages 66 to 71). This is intended to be one of the most important features of the Third Plan. During the current year it is proposed to undertake pilot projects in some areas which have heavy pressure of population so as to gain practical experience in the organisation of works projects which will supplement other programmes.

Details are to be considered with State representatives at the official level. The broad questions of policy to which the attention of the National Development Council may be invited are:-

(i) the need for legislation placing certain obligations on beneficiaries in connection with minor irrigation, contour bunding and soil conservation,

(ii) the suggestion that there may be legislation enabling panchayats to prescribe, within a limit laid down by law, the number of days in the year for which free labour should be given by each male adult in the community, and

(iii) measures to enable village communities to build up remunerative community assets which will provide a certain minimum annual income to the village panchayat.

8. Employment

On present estimates, which are subject to review in the light of the detailed programmes which may be drawn up, the additional employment likely to be created during the third plan period is of the order of 14 million-10.5 million outside agriculture and 3.5 in agriculture-besides some reduction in under employment. It is necessary to create about one million more jobs if the objective of providing employment opportunities at least for the new entrants into the labour force is to be realised. With this in view, a series of suggestions have been made in the Draft Outline. These can be made effective if they are fully incorporated into the plans drawn up and implemented by States and may, therefore, be considered further by the National Development Council. The principal suggestions are as follows:

(i) The maximum advantage should be taken of the programme of small town and rural electrification.

There should be definite and effective programmes in each area for the utilisation of electricity, for setting up and expanding small-scale enterprises based on power and for providing training facilities for artisans as well as for self-employed workers.

(ii) Both in the public and the private sectors there should be a systematic effort to decentralise the production of components to smaller enterprises.

(iii) Development of suitable processing industries in rural areas and specific measures in each area to enable villages to meet the diverse requirements of the neighbouring urban areas.

(iv) Individual projects should be planned so as to provide the maximum scope for the utilisation of manual labour. The use of machinery should be restricted to operations in which it offers considerable advantage in terms of cost or the period of construction.

(v) The unemployment problem in each State should be broken down by districts and blocks. To the greatest extent possible it should be tackled at the local level and in terms of local responsibility through the effective and coordinated implementation of development programmes relating to agriculture, irrigation, power, village and small industries, communications and social services. In each area there should be a large measure of flexibility in implementation, so that the programmes are adjusted to the actual requirements and possibilities.

(vi) Through the rapid development of co-operatives for credit, marketing and farming and the development of scientific agriculture, the scope for absorbing within the rural economy itself young people with education ranging from the middle courses at school to the first or second year at college should and can be greatly increased.

(vii) Assigning to areas in which sufficient skilled manpower is not locally available bodies of trained workers from other areas for such periods as may be necessary. This is specially important for the less developed areas.

(viii) Besides these and other suggestions of a similar character, as mentioned earlier, it is also proposed to take up pilot projects for utilising rural manpower, specially for agriculture, during the slack seasons.

9. Social programmes

Among the important social programmes in the Third Plan, there are three to which the National Development Council may wish to give particular attention:

(i) Provision of certain minimum amenities to rural areas, specially (a) supply of drinking water, (b) roads linking each village to the nearest main road or railway station, and (c) the village school building which may also serve as a community centre and provide facilities for the village library;

(ii) Provision of free and universal education for the age-group 6 to 11 years; and

(iii) Family planning.

10. Balanced regional growth

At its meeting in March 1960, the National Development Council touched upon several aspects of the problem of securing balanced development in different parts of the country and ensuring that the benefits of development reached out to the less developed areas within each State. The factors to which it is proposed that special attention should be given in the detailed consideration of State and regional plans are set out in section 3 of Chapter V-Policy and Organisation (pages 71 to 78, specially paragraphs 43 and 44). The National Development Council may wish to give further consideration to this subject.

(ii) DETERMINATION OF OUTLAYS FOR STATES IN THE THIRD FIVE YEAR PLAN

I. Objectives of State Plans

The nature of development plans drawn up by State Governments and the need to ensure all the conditions essential for their effective implementation are among the most important aspects in the preparation of the Third Five Year Plan. Programmes undertaken as part of the plans of States have a close bearing on the welfare of the people as a whole. To a large extent it is through them that a rise in the levels of living for the weaker sections of the community and for the less developed areas has to be secured. Important national objectives, as in agriculture, education and other social services, and in the utilisation of rural manpower can be realised only in the measures in which State plans are successfully carried out. The development of large-scale industries, specially basic industries and heavy industries, and of power and transport services, leads to a natural broadening in the scope of the plans of States. These have to include progressively an increasing measure of industry, power and technical education, fuller provision for meeting problems arising from urbanisation and industrial development, and proposals for achieving closer integration of rural with industrial development.

2. Altogether, therefore, in the Third Plan, the plans of States have a crucial significance equally for the development of individual States and for national development. Within each State there are less developed areas to which it will be necessary to devote greater attention than has hitherto been possible. Thus, in drawing up the plans of each State the broad objectives will be-

(a) to make the maximum contribution to the increase of agricultural production;

(b) to secure the largest measures of increase in income and employment feasible;

(c) to develop social services, in particular elementary education, water supply and sanitation, and health services in the rural areas; and

(d) to raise the levels of living for the less developed areas.

The plans of States will be oriented towards increase in production and employment and the welfare of the weaker sections of the population. They will need to be drawn up so that the assets and services already established yield their full benefits as early as possible and advantage is taken of the programmes of industrial development undertaken both in the public sector and in the private sector.

II. Outlays : Phasing and Distribution

3. It was stated in the Draft Outline that of the total outlay of Rs. 7,250 crores in the public sector in the Third Plan, Rs. 3,650 crores were likely to fall within the plans of States and Union Territories. On present indications, this figure is placed at Rs. 3,700 crores. Allowing about Rs. 175 crores for the Union Territories, the balance of Rs. 3,525 crores should be available for distribution among the States. This amount is to be compared with the total outlay of Rs. 2,200 crores in the States under the Second Plan. The latter figure includes about Rs. 1,970 crores on account of the plans of States and about Rs. 230 crores representing "Centrally sponsored schemes". Thus, the Third Plan will involve an increase in the total provision for State outlays of about 60 per cent. as against an increase of 58 per cent. in the national plan as a whole.

4. The phasing of outlays at the Centre has to be worked out in detail with reference to industrial and other projects. Similar phasing of projects has also to be undertaken in respect of State plans, but under several heads it is easier to take a preliminary view for the States as a whole. As a tentative working basis, the following table suggests a phasing for State plan outlays:

(Rs. crores)

Year	Total outlay in the States
1960-61	500
1961-62	550
1962-63	625
1963-64	700
1964-65	775
1965-66	875
Total 1961-66	3,525

The foreign exchange content of State plans is estimated to be Rs. 400 crores. It is expected that most of the foreign exchange needed will come through external credits, aid, etc. and will, therefore, have to form part of the Centre's assistance to States.

5. The following table sets out the tentative distribution of outlays between the Centre and States (including Union Territories) as at present envisaged;

(Rs. crores)

	Total	Centre	States
Agriculture and Community Development	1,025	125	900
Major and Medium Irrigation	650	5	645
Power	925	125	800
Village and Small Industries	250	120	130
Industries	1,500	1,450	50
Transport and Communications	1,450	1,225	225
Social Services	1,250	300	950
Inventories	200	200	—
Total	7,250	3,550	3,700

Of the outlays in the States about Rs. 850 to 900 crores represent expenditures on projects carried over from the Second Plan to be met under the Third Plan.

6. The Draft Outline has indicated that under certain heads, to ensure the fulfilment of essential physical targets provided for in the Plan, at the stage of finalisation it might be necessary to consider some increase in the present allocations. In particular, this consideration applies to agricultural production, schemes for securing fuller utilisation of manpower resources, village and small industries, elementary and technical education, family planning and road development.

III. State Outlays in The Second Plan

7. In September, 1955, in connection with the determination of outlays in the Second Plan, the Planning Commission placed a paper before the National Development Council which discussed the factors which were then being taken into account in suggesting outlays for different States. In presenting the relevant data regarding the outlays for different States during the First Plan, and the proposals made for the Second Plan, the Commission observed as follows:

"In considering the magnitude of the plan of a State for the period 1956-61 the Planning Commission has taken into account a number of factors. No single criterion or set of formulae if applied by itself in a uniform manner to all States is found to be adequate or tenable. The principal considerations are:-

(1) Population;

(2) Commitments carried over from the First Plan to the Second Plan with reference to irrigation and power projects as well as other heads of development;

(3) The extent of development during the First Five Year Plan and the general level of development expected to be reached at the end of the First Plan;

(4) The revenue position of the State as represented both by its total revenue and by the extent to which it is able to finance its second plan on the revenue account; and

(5) The programme of irrigation and power projects for the second plan, especially in the light of the examination and recommendations of the Technical Committee for Irrigation and Power".

8. The proposals which States had prepared for the Second Plan added up to about Rs. 5,400 crores, as against a total outlay of about Rs. 2,250 crores available for the States out of Rs. 4,300 crores originally indicated in the draft plan-frame which the National Development Council had approved generally in May, 1955. After allowing for a total of Rs. 2,050 crores for Central schemes, from the balance a further deduction of Rs. 850 crores was made for irrigation and power projects for which technical examination by the Advisory Committee for Irrigation and Power was considered necessary. These projects constituted a category by themselves and considerations affecting them did not apply to the distribution of the balance available for State plans of Rs. 1,400 crores.

9. The outlays for different States were arrived at after examination of their proposals and full discussion with the Chief Ministers concerned against the background of tentative overall magnitudes for different sectors which had been worked out in the Planning Commission. Within each State the distribution of available resources between different heads followed broadly the scheme of priorities for the Plan as a whole. As was stated in the Planning Commission in its paper, these priorities provided "as far as possible, within the limits of the resources, for projects intended to create productive assets, for schemes with a marked employment potential, for social services and for the less developed areas in a State".

IV. Review of State outlays in the Second Plan

10. In the course of the Second Plan the annual development outlay in the States has risen from a little over Rs. 300 crores in 1956-57 to nearly Rs. 500 crores in 1960-61. Between 1956-57

(actuals) and 1960-61 (annual plan) the increase in outlays in different sectors was of the following order:

		(Rs. crores)
(a)	Development Expenditure—	
	1956-57 (actuals)	304
	1957-58 (actuals)	341
	1958-59 (actuals)	392
	1959-60 (anticipated)	447
	1960-61 (anticipated)	486
		1,970

(b) Increase in expenditure in different sectors (Rs. crores)

	1956-57 (Actuals)	1960-61 (Plan)	% (Increase)
Agriculture and Community Development	59	142	141
Irrigation and Power	144	179	24
Industry including Village and Small Industries	14	25	77
Transport and Communications	29	35	22
Social Services	51	131	155
Miscellaneous	7	21	200

The small increases shown under Irrigation and Power and Transport and Communications are to be attributed mainly to the higher levels of expenditure reached during the First Plan, specially after 1953-54. In paying greater attention to agriculture and social services, the Second Plan sought to ensure more rapid development in vital sectors in which programmes in the First Plan had not been adequate.

11. The Second Plan outlay in the States was initially placed at Rs. 2161 crores (excluding assistance for centrally sponsored schemes). Against this the anticipated expenditure for the plan period is about Rs. 1970 crores, representing a difference of about 9 per cent. This is accounted for in part by the overall reduction in outlay in 1958 from Rs. 4800 to Rs. 4500 crores, and in part by shortfalls in expenditure below the levels budgetted for them year to year in a number of States. Apart from the adequacy or otherwise of the outlays provided for in the Plan, for a variety of reasons, in some States the difference between plan provisions and anticipated outlays are well above the average for the country as a whole. In connection with their current proposals for the third plan, it would be useful for all States to review carefully the various factors which led to shortfalls during the second plan. Some of these factors were perhaps not within their control; but there are others, such as the raising of their own share of resources and strengthening of technical and administrative services, in respect of which timely action should be taken in preparation for the Third Plan.

12. A question which frequently arises is whether the Five Year Plans are making it possible to bring about a sufficient rise in the level of development in the less developed States or whether the differences are in fact becoming wider. It is not altogether easy to answer this question. Statistics of State income, where these are available, are not yet on a comparable basis, and it will take time to build up satisfactory data regarding small enterprises, commerce and transport, professions and liberal arts and domestic services. Common concepts are, however, coming into use in different States. Comparisons of per capita expenditure on development offer a broad indication, but these are usually partial in nature, for they are based on statistics of outlays provided for in the plans of States and cannot take account of expenditures on development undertaken either by the Central Government through its various enterprises or by the private sector. In States in which there are appreciable shortfalls in expenditure, the levels of per capita expenditure on development have necessarily fallen below those envisaged at the time of the formulation of the Second Plan.

13. Leaving aside estimates of State income and per capita outlays, other indicators of relative progress in different States could be, for instance, increase in development expenditure, progress in the production of foodgrains, changes in the State index of agricultural production, growth of irrigation potential, increase in installed power generating capacity, progress in elementary education and in road development. Tables 1 to 7 in the Annexure furnish information on these aspects of development in the States. These and other indicators of balanced regional development are at present being investigated by a study group in the Planning Commission which will work in collaboration with State Planning Departments. The Tables are at best illustrative and in due course they will be supplemented by further information. They do, however, suggest that, on the whole, there has been significant progress in several directions during the Second Plan. States which have fared well in agricultural production have generally achieved a larger measure of advance in other directions as well. In a number of important sectors, the Second Plan has enabled the less developed States to move forward at a more rapid pace than States which have already achieved higher levels of development. To the extent the rate of development in some fields has continued to lag behind in the less developed States, it will be necessary to provide in these States for a larger measure of growth in the Third Plan.

V. Considerations Governing State Outlays in the Third Plan

14. Outlays for the Third Plan for each State will have to be arrived at after study of its needs and problems, past progress and lags in development, likely contribution to the achievement of major national targets, potential for growth and the contribution in resources which the State is able to make towards its development plan. In assessing needs and problems, such factors as population, area, pressure on cultivated land, extent of commitments carried over from the Second Plan, commitments on account of large projects and the state of technical and administrative services available, will have to be taken into account. Due attention will have to be given both to national and to State priorities. It will, of course, be necessary to guard against those States whose resources are unavoidably small being required to undertake development on a scale which may be altogether insufficient. At the same time, States which are able and willing to make a bigger effort in mobilising their own resources can legitimately expect this factor to be taken into account in determining their outlays for the Third Plan.

15. Apart from factors such as population and area, which are specially relevant to a general assessment of economic conditions in each State, the following might be the main guiding considerations which could be studied in the context of different States and in consultation with them with a view to determining the financial dimensions and physical targets of their plans:

(i) **Completion of projects under execution.—**Amounts necessary for the completion of projects under execution at the end of the Second Plan have to be provided as a prior charge.

(ii) **Provisions for utilising existing assets and services.—**In the interest of the economy of the State as well as of national development that provision should be made for expenditures needed for securing the full benefits of assets and services which have been created during the First and Second Plans, e.g., under irrigation, power, etc.

(iii) **Provisions for basic national targets in the Third Plan.—** Among the economic targets of the Third Plan, those which specially concern development in the States are (a) speedy increase in agricultural production, (b) expansion of employment opportunities through the intensive development of village and small industries as well as other industries and works for the fullest possible utilisation of manpower resources in rural areas.

Among the social objectives, the imperatives are (a) fulfilment, within the limits of physical capacity, of the target for free and universal education for the age group 6-11 years, and

(b) provision of minimum amenities to rural areas, including water supply, approach roads and school buildings.

(iv) **Power Development.—**The Third Plan has a large provision for power (Rs. 925 crores) of which, after allowing for nuclear energy, the tentative estimate for the State plans is placed at about Rs. 800 crores, which is about twice the provision in the Second Plan. The power programme is linked with the fulfilment of major industrial targets and programmes and also provides for general industrial development in different States. The provisions needed for power development in each State have therefore to be given a high priority in the State plan.

(v) **Making up for development lags in the Second Plan.—**In many States, in the Second Plan there have been sectors in which progress has lagged behind. This is specially true of the relatively less developed States. It is important that all such deficiencies should be carefully identified and a view taken as to the extent to which the Third Plan should devote special attention to them. In making up for such deficiencies, it is necessary to assess their relative importance for the Third Plan and also, to the extent possible, to take a view of the future pattern of economic growth towards which the economy of each State should be progressively oriented.

(vi) **Unemployment, under-employment and regional backwardness.—**Some States have areas which are definitely less developed than others and call for measures of development over and above those proposed for the State generally. Frequently these are also the low income areas of the State and suffer from a great deal of under-employment. There are other States in which unemployment among sections of the educated is either a serious or a growing problem. In considering the distribution of outlays in the State plan, these aspects of development should receive adequate attention.

(vii) **Provisions relating to the conservation of natural resources.—**In the past perhaps enough attention has not been given to such aspects of resource conservation as anti-waterlogging, drainage, measures for preserving soil fertility, afforestation and exploitation of forests. It is proposed that from the point of view of long-term development, both regional and national, these aspects should now be given special consideration in determining the financial provisions in the plans of States.

16. The application of the considerations mentioned above in the case of individual States will not be by any means an easy task. Any attempt to indicate levels of outlays in advance of the discussions with the State Governments will necessarily lead to undue rigidity and will divert attention from the objective examination of the basic requirements of development in each State which is essential for sound planning. Such examination is best undertaken in cooperation with each State Government and in recognition of the fact that while vital targets have to be assured at all costs, there has necessarily to be a degree of selection among priorities of the second and third order, and that if resources are spread too thinly among diverse projects and schemes, in the total the results obtained will be inadequate. In the first phase of work, the plans of States will be considered only in their broader aspects. This will be followed by a closer study by each State Government of the appropriate phasing of projects and outlays, with due regard to the requirements of physical planning, the need to complete projects under execution as speedily as possible, and to ensure that at each stage of investment the maximum benefits possible are secured.

17. Discussions regarding financial resources of States, which are at present in progress, will conclude by the middle of September. The results of these discussions will no doubt be reviewed by State Governments with reference to their plan proposals. At a later stage in the work of finalising State plans it should be possible to come to agreed conclusions regarding the resources to be found by each State under different heads and the amounts which the Central Government would endeavour to provide over the period of the plan, subject naturally to considerations of the overall economic and financial situation from year to year and the requirements of the annual plans.

September 6, 1960

Table -1. Development expenditure in the Second Plan

(Rs. crores)

State	Progress of Expenditure				
	1956-57 (Actuals)	1957-58 (Actuals)	1958-59 (Actuals)	1959-60 (Plan)	1960-61 (Plan)
Andhra Pradesh	25.6	30.7	34.7	41.7	43.2
Assam	9.5	10.0	9.1	12.3	14.5
Bihar	24.5	27.6	31.0	41.7	46.6
Bombay	46.9	51.2	70.9	91.2	98.8
Jammu and Kashmir	4.4	3.6	4.0	7.0	8.9
Kerala	10.0	13.7	16.5	18.7	21.0
Madhya Pradesh	18.9	27.4	32.2	35.1	38.0
Madras	28.5	30.2	34.5	35.1	37.5
Mysore	14.0	19.9	25.3	35.3	39.6
Orissa	17.0	17.3	16.2	19.4	21.5
Punjab	24.0	28.0	29.1	34.9	35.9
Rajasthan	13.3	15.3	20.0	24.1	28.1
Uttar Pradesh	44.5	41.3	40.6	52.1	55.0
West Bengal	22.4	24.9	28.3	38.7	44.0
Total	303.5	341.1	392.4	487.3	532.6

Table -2. Production of foodgrains

('000 tons)

State	1949-50	1950-51	1955-56	1958-59	1959-60
Andhra Pradesh	4,393	4,099	5,536	6,364	6,296
Assam	1,789	1,447	1,706	1,800	1,799
Bihar	5,910	3,872	5,184	6,730	5,800
Bombay	6,734	5,623	7,255	8,928	7,507
Jammu and Kashmir	337	382	474	549	487
Kerala	710	728	887	965	1,055
Madhya Pradesh	5,749	4,747	7,617	9,285	9,031
Madras	3,088	2,887	4,538	4,925	5,096
Mysore	2,478	2,524	3,783	3,717	3,627
Orissa	2,184	2,133	2,463	2,452	2,447
Punjab	3,437	3,256	4,785	6,078	5,367
Rajasthan	1,127	1,553	4,175	5,093	4,726
Uttar Pradesh	11,157	11,611	11,876	13,399	13,182
West Bengal	4,423	4,712	4,973	4,526	4,615
Total : All India	54,048	50,022	65,794	75,503	71,750

Table -3. Index of agricultural production

Sl. No.	State	Base	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	Average annul rate of change
1.	Andhra Pradesh	1949-50=100	105.25	104.34	101.23	121.56	126.28	126.87	134.39	130.01	139.69	4.62
2.	Assam	1949-50=100	91.66	94.80	100.89	99.28	101.30	103.21	105.91	103.86	108.07	1.35
3.	Bihar	1949-50=100	71.8	80.00	98.2	102.2	76.0	91.8	96.2	—	—	0.78
4.	Kerala	1952-53=100	—	—	100	106.6	109.9	114.3	115.3	117.3	—	3.34
5.	Madhya Pradesh	1952-53=100	—	—	100	109.56	114.73	121.13	134.90	99.56	138.62	4.14
6.	Madras	1949-50=100	100.00	107.00	95.00	113.00	128.00	127.00	133.00	138.00	—	5.40
7.	Mysore	1952-53=100	—	—	100	129.1	138.00	145.8	128.8	142.1	—	6.22
8.	Uttar Pradesh	1948-49=100	108	104	110	112	122	114	121	111.8	125.2	1.93
9.	Total All-India	1949-50=100	95.6	97.5	102.0	114.3	117.00	116.9	123.6	114.6	131.00	3.58

Source : CSO

Table -4. Potential (gross) from continuing major and medium irrigation schemes of the First and Second Five Year Plans.

('000 acres)

State	End of First Plan	End of Second Plan	End of Third Plan
Andhra Pradesh	191	830	2,035
Assam	—	—	—
Bihar	308	915	2,840
Gujarat	Included under Bombay	725	2,150
Jammu and Kashmir	5	20	110
Kerala	230	370	540
Madhya Pradesh	10	80	1,360
Madras	183	545	820
Maharashtra	157 (former Bombay State)	275	1,250
Mysore	119	780	1,470
Orissa	Nil	1,000	2,385
Punjab	3,134	3,640	4,330
Rajasthan	510	965	2,375
U.P.	1,210	2,375	3,975
West Bengal	394	1,700	2,685
Total	6,451	14,220	28,325

Table -5. Increase in installed power generating capacity

State	Installed capacity in mega watts 1955-56	1960-61	Percentage increase in 1960-61 over 1955-56
Andhra Pradesh	180.0	303.6	68
Assam	6.6	20.0	200
Bihar	479.0	641.5	34
Gujarat	300.0	405.0	35
Jammu and Kashmir	13.0	26.5	103
Kerala	89.0	166.0	87
Madhya Pradesh	140.5	305.2	117
Madras	167.0	582.0	248
Maharashtra	508.0	788.5	55
Mysore	200.0	234.0	17
Orissa	21.0	280.6	1236
Punjab	152.0	377.4	148
Rajasthan	71.0	169.1	138
Uttar Pradesh	324.0	423.0	30
West Bengal	710.0	966.5	36
Delhi	65.0	89.0	37
Other Union Territories	7.2	11.5	59
Total	3433.3	5789.4	68

Table -6. Progress in elementary education

State	Percentage of pupils in classes I to V to the total number of children in the age group 6—11			Percentage of pupils in classes VI to VIII to the total number of children in the age group 11—14		
	1955-56	1960-61	% increase	1955-56	1960-61	% increase
Andhra Pradesh	56.7	58.2	2.6	13.5	17.6	30.4
Assam	59.4	69.7	17.3	21.9	31.2	42.5
Bihar	35.7	48.7	36.4	10.3	16.8	63.1
Bombay	66.5	74.0	11.3	18.1	27.3	50.8
Jammu & Kashmir	24.7	39.4	59.5	11.9	15.9	33.6
Kerala	109.1	103.7	(—)4.9	36.8	57.3	55.7
Madhya Pradesh	40.9	46.6	13.9	11.9	14.9	25.2
Madras	66.4	69.9	5.3	21.3	25.2	18.3
Mysore	57.8	69.2	19.7	16.5	22.8	38.2
Orissa	34.9	44.9	28.3	7.2	9.4	30.6
Punjab	56.6	64.9	14.7	25.8	34.6	34.1
Rajasthan	24.2	36.2	49.6	9.0	14.3	50.9
Uttar Pradesh	33.5	42.4	26.6	14.0	15.7	12.1
West Bengal	73.6	77.8	5.7	19.4	26.4	36.1
All India	52.1	60.0	15.1	16.3	22.6	38.6

Table -7. Road development

State	As in March, 1956		As in March, 1957		As in March, 1958	
	Surfaced	Unsurfaced	Surfaced	Unsurfaced	Surfaced	Unsurfaced
1	2	3	4	5	6	7
Andhra*	N.A.	N.A.	16,575	8,540	16,991	10,741
Assam	1,440	11,507	1,646	12,352	1,680	14,246
Bihar	5,363	28,530	5,473	30,442	5,688	31,902
Bombay	18,417	14,637	19,659	17,596	20,503	18,947
Jammu & Kashmir	874	823	966	1,213	966	11,992
Kerala*	N.A.	N.A.	4,939	4,861	5,364	5,666
Madhya Pradesh*	N.A.	N.A.	12,470	9,242	12,470	11,035
Madras	15,116	7,831	16,687	9,691	17,240	10,067
Mysore	11,493	959	14,179	8,991	16,028	14,892
Orissa	3,797	4,694	4,276	12,250	4,276	13,887
Punjab	4,337	5,429	5,042	10,096	5,375	11,638
Rajasthan	5,543	15,811	6,958	19,979	7,474	23,074
Uttar Pradesh	11,662	26,192	11,935	35,200	12,295	39,121
West Bengal*	N.A.	N.A.	6,058	18,072	6,494	18,711
			1,26,863	1,98,525	1,32,844	2,25,809

Note :— N.A.—Not available.

In the case of State marked (*) figures for 1956 are not available.

SUMMARY RECORD

MORNING SESSION
SEPTEMBER 12, 1960

Initiating the discussion, the **Chairman** said that the N.D.C. was meeting at a rather odd time for a very special purpose. He said odd time because the world and India was full of confusing events. He would like our minds to be concentrated on this Third Five Year Plan, which was the biggest thing we had to deal with, and which really should help us to deal with all our other problems such as they were, but the fact was that other problems diverted our attention, took up a great deal of our energy and even consumed our resources—the troubles we had this year involving heavy expenditure—he was leaving out the human aspect of it which of course was very important—he was only talking about resources, heavy expenditure to the Assam Government, the Bengal Government and the Government of India, other troubles we had elsewhere, floods, drought, all that, but behind all this there was something much more vital and important and that was certain fissiparous, disruptive tendencies at work.

2. Speaking for himself, he had never worried very much about the problem of foreign exchange or internal resources, because he thought that if we were really united, prepared to face all these problems, we could solve them. They were very difficult problems. No one said they were easy. We could solve them but what worried him were these tendencies inside the country and the way our attention was taken away from the major issues and diverted to internal quarrels, internal conflicts and the like. That really was a serious affair because it undermined our position. He was very well aware that on the other side there were powerful influences for the good, for construction, for unity and all that. That was why we had carried on and that was why we would carry on. Nevertheless, it was well to realise how easy it seemed to be in our country for us to go astray. We got excited relatively over smaller matters and forgot the major issues. The test of an individual and of a nation always was what it considered the issue of first importance, what of second, what of third; if an issue which was third on the list was made first, this meant of course the first and second suffered but the third also suffered ultimately, because the third flowed out of the first and second. As some-body said, it made all the difference in the world whether you gave the first the first, or second or third place. He said that we all talked, rather piously, about our many virtues, about unity and about this and that, but we did not always live up to them. As a nation we did not live up to those and that was more distressing than any calamity brought by nature or any other difficulties we might have to face. He thought, therefore, it was the very first thing for us to remember in dealing with this Third Plan that the basic necessity was for us not only to hold together and not to allow ourselves to be diverted and distracted by other things, but also to think in terms of the country as a whole. Naturally, each one of us coming from different States was particularly responsible for the welfare and growth of his State and it was right that it should be so. But the moment we looked upon even that as something separate from the larger problems of India, we did justice neither to India nor to our State.

3. Then again, if we looked round the world, we saw a situation which was full of possible dangers and very grave dangers. There had been a progressive deterioration of the international situation in the last four or five months and nothing had been done to check it. Some talk was going on now about this matter, but the fact that had to be recognised was that the international situation

was essentially worse than it had been for many years. This was not a matter for us to look on from a distance merely. Because if internationally there was a break-down—complete breakdown and conflicts and wars—then obviously, all our planning went to pieces. We had to think afresh under entirely different circumstances and terrible circumstances. Therefore, apart from our general wish for firm establishment of peace, the question of ending even this precarious peace that we lived under now would involve terrible consequences for all including our country. Obviously we could not do much in the world. Nevertheless, because of our earnest desire for peace and our record during the past ten years or so, our voice counted for something in the world affairs, not because of military might or the financial might behind it. Nevertheless, it did count for something. He did not wish to exaggerate but it did make a difference and, therefore, a responsibility was cast upon us to help where help could be given. He was not discussing international affairs now. But he did wish all to keep in their mind the world in which we lived and the dangers that we had to face. It was only then that perhaps we would see our own plan in some kind of right perspective and it was only then that we would see our own state problems and frictions in the right perspective, because then they became very small before these mighty things that were happening because we lived in a mighty age of the revolution. People might not be breaking each others' heads everywhere, but it was the greatest revolutionary period in history that we were going through all over the world. We saw it in Africa. What was happening there? The whole place was in an upheaval and one did not even know what would happen next week, leave out a longer period and the consequences of that elsewhere.

4. He had very briefly ventured to put this to the National Development Council before they started the consideration of the Third Plan. The Third Plan was not merely an intellectual exercise in planning and trying to do what we liked to do. To some extent it was that, but it was also to meet certain circumstances that faced us in our country and other countries and the world situation, and there was no choice for us but to strive our utmost to strengthen ourselves, our economy, our defences and everything else that went to give our country strength. Members of National Development Council were broadly aware of the Plan, its contents, of its approach, of its aims and objectives because they had been consulted from time to time so that there was not likely to be very much new in it for them. Still, putting it all together would bring the picture in its completeness. He asked them to remember that this was a Draft Outline. It was not the final Plan, although it was the result of a tremendous deal of thinking, of consultation and of conferring with State Governments and many others, but, nevertheless, it was an outline for their consideration, and the country's consideration and after 4 or 5 months were over, an attempt would be made to prepare and give it a final shape. Even that final shape would not be a rigid, unalterable shape in the circumstances prevailing in our country and, indeed, anywhere at this time in the world's history. We had to be flexible. We had to be adaptable to the changing circumstances and not be rigid. Nevertheless, certain definite things had to be laid down as to what we had to do, what we were aiming at; certain definite points and the way we had to pursue them had also to be laid down, always subject to any variation as circumstances might require. So this Draft, in the very first Chapter, dealt very broadly with our aims and objectives which of course were not new. Indeed, if one looked at it in relation to our Second Plan or the First Plan, one would find that all these were really continuations of that. They flowed out of it at a faster pace and on a broader basis, which was right of course. But it was well for us to remember always what our objectives were and not to lose ourselves in the forest of details that a Plan had to deal with. Because, always when one considered the detail, one must look back on the main thing, how far it fitted in with the main issue; otherwise, it was out of place. He said this because the public generally had a tendency to forget what happened a year or two or three years ago. It had to be reminded again and again that these were our objectives, this was what we aimed at. If we aimed at socialism, let us say it today, tomorrow and the day after and

every morning and evening. Let there be no mistake about it; let us not quibble about it. If we did not want it, let us give it up. What was always bad for any organisation or any country was to be not sure in its mind of what it was going to do because that produced confusion. If there was a lack of surety in the minds of the leaders, that spread to others and produced confusion, specially when many people who were not favourably inclined to us would like to produce that confusion in the public mind. Therefore, we had to be clear about these things and lay stress on what we were aiming at and the path we intended to pursue.

5. Some people objected to the whole conception of planning, though they were very few in number. It was generally accepted in India, and indeed if he might say so, it was accepted all over the world because planning was the application in an organised way of intelligence to the solution of a problem. It seemed to him extraordinary that people should object to organised intelligent thinking of our problems as they were. There had to be a certain strategy of planning because planning did not become an exercise for a year or five years. It was a continuous process, increasing, he supposed, in its rapidity and comprehensiveness as experience and resources grew. This was a continuing progress, and if it was a continuing process, we had to think in terms not of one Plan but of several Plans ahead, fifteen years, twenty years or more, whatever subject we might take up. Let us take up the planning of Delhi city. We had a plan for the next 25 years; it was not for the next year or two. Much more so for a country. So, we had always to keep this larger perspective in view and the strategy for that.

6. The strategy, broadly, was building up our industries—building up innumerable industries. If we wanted to build up industries, we had to build up the basis, the foundation, for them. That was the basic or the heavy industries, out of which grew others. Without industrialisation, we might do a little good here, a little good there, but we could not solve our problems, and having said that he could go back again. Industrialisation itself, apart from other reasons, required the greatest importance being given to agricultural growth and progress. So they were inter-allied and we could not separate them. Looking at the past, there was a feeling of disappointment at the rate of progress. He hoped we would always be discontented with the rate of progress; we wanted to go faster always but really he did not see any reason whatever for this feeling of disappointment. It was true that we wanted to go faster and it was true that we had not done all that we wanted done but what we had done in agriculture, in heavy or light industries, in education or health—whatever it was, was by almost any standard exceedingly creditable, and sometimes quite remarkable. We had to keep that in view, and the public also should know that. It was true that our aims and hopes had been so high that we had often not reached that level. That was right, and we should always aim high.

7. He did not wish to say much about these things but he would say a word or two about something to which he attached great importance. One of the things was the development of the rural sector, the panchayats, panchayati raj, cooperatives and the like. Because he thought that was making where it was functioning and would make elsewhere, very great difference to the whole basis of both our democracy and our economy. It was something basic. A good official could do a good job of it, but that was only a job done, it was not a foundation laid for automatic progress. While these things, if they functioned well, laid a foundation for automatic progress, i.e. the people did it themselves. That was the only ultimate way of doing these things.

8. Another thing about which he would like to mention something and which they all probably knew was the very remarkable success in Madras State of a movement concerning education. He thought it was called the School Improvement Scheme. It was exciting to see how this thing had

developed in the last two or three years only and he would commend it to them. He hoped the Madras State Government would supply all of them with full particulars about it, so that they might themselves see that every thing important and solid was not due to a brilliant Minister or a brilliant official, but because it found a base in the people's cooperation. Then it became solid and unbreakable. A good Minister might come, somebody else might come, a good official might come—we wanted good Ministers, good officials of course—but the real solid base was that it caught the millions of people. That was why he attached so much importance to this panchayati raj business or to cooperatives, not run by officials. It was of the highest importance that officials should not interfere except by advice and that people should run them. So this Madras scheme of School Improvement had brought about extraordinary changes; it was not only good teaching, good food, but they were going to distribute free clothes, too, very largely by public help. We would like to congratulate the Madras State on that and commend to them that example.

9. Each State had its own problems, its own demands. He did not know that it did much good to discuss each State's problems here, because that could be more easily discussed separately with the Planning Commission but of course if there was any important aspect of it, it should certainly be mentioned. Otherwise, they used to get into the habit of hearing a long story of the States' difficulties and this succession of such stories had often produced a very depressing effect on him, possibly on others too, naturally because they laid stress on the depressing aspects in the hope of getting more help from the Planning Commission. It was far better for them, therefore, to go into these details separately and at leisure and lay stress on the broader aspects.

10. Now, it was clear that they had to produce resources—domestic resources and foreign exchange resources. Foreign exchange could be produced to some extent by our exports and of course by credits, loans, etc. He would not say much about credits and loans. Various efforts had been made and possibly we should get some; to what extent he could not say.

11. About exports we were making great efforts with some result. There was one aspect, however, which he would put for their consideration. We looked upon exports in two ways. One was our traditional exports of three, four or five commodities. Secondly, we exported articles that were surplus to us. That was a kind of way of looking at things leisurely, a kind of way of an affluent society looking at things and not of a society struggling to go ahead.

12. Therefore, if we wanted to earn money by export, we must do without things here and export them. It was not a question of surplus. He wanted to stress that we must starve ourselves of those goods and things and export them to get foreign exchange. That had not been our past outlook. That was why he was stressing it. We must do without the things that we needed in India, or do with less to some extent if we could not do entirely without them. We must develop this mentality, as other countries which had tried to face the foreign exchange situation had to do—whether it was a Communist country or whether it was a non-Communist country. Doing that itself brought about a mentality of self-help, not too much reliance all the time on other countries. While he was grateful to many foreign countries which had helped us, and while he would continue to be grateful to them, he did not view with great enthusiasm this great dependence of ours on foreign help. We had to take it, but let us remember that the less we took of it, the better it would be for the future burden. The only way to do that was to try to raise ourselves by our own efforts. And in regard to exports, he would repeat that we must think about them in terms of depriving ourselves of the things we used and needed, if we were looking for an export market for them.

13. As for the other domestic situation, he said, in some ways, India was flush with money. He saw company floatations which brought in ten times, twenty times the amount asked for. It was

quite extraordinary, the way money was flowing about, not in every grade of the people—otherwise India would be a rich country—but certainly in certain top grades. It showed how much money there was and it showed the ridiculousness of the cry that this country was overtaxed so far as those people were concerned. If this was the result of over-taxation, then the more taxes we had the better. He was not prepared to accept that cry at all. Never had there been so much riches being flaunted about in India by certain circles as today. Never so much money thrown about. Never shops were so full of goods. Never so many purchasers of these goods from the shops in the cities, etc. This, of course, did not apply to all the population. Obviously this did not require statistics. There was the evidence of one's own eyes to see how our small industries were booming. It was a very good thing that they were booming and they were producing goods. He was astonished at this. Just the other day from one single Delhi shop, he sent for, just to see, what kind of goods in the way of eatables were being produced. He was astonished. A cartload came to him. A cartload of tinned goods from one shop in Delhi, hundreds of tins and bottles of things being produced in India, chiefly in Delhi, Bombay, Calcutta, Punjab, Bangalore and a number of other places. The amount of goods that were being produced in India was prodigious and it was growing. It was a sign of good health. He was merely pointing this out. India was not, in spite of everything, in spite of floods and disasters, in a poor state financially. It was in good health and very good health and we should take advantage of this good health to make it work as a healthy man should work and not depend too much on others.

14. The Chief Minister, West Bengal, **Dr. B. C. Roy** endorsed generally the scheme of priorities embodied in the Plan with regard to agriculture, utilisation of manpower, employment and social services. He felt that development of small industries should proceed simultaneously along with intensive agricultural production if the effective utilisation of manpower was to be ensured. In the field of social services the emphasis should be on free primary education. On the question of balanced regional growth he pointed out that the country was an organic whole like the human body and similar to the balancing of the functions of the various organs of the body there should be balanced development of all the States with reference to the country as a whole. The development of a State should not be viewed in isolation but in terms of its contribution to the development of the country as a whole.

15. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** referred to two main aspects, namely, disparities in the distribution of national income and development of industries in the States. With regard to distribution of national income he felt that it would not be sufficient to have a committee just to enquire how the national income had been distributed during last ten years but there should be a permanent machinery which would exercise constant vigilance over this problem.

If agricultural community was to be made prosperous, it was necessary to develop some sort of an agro-industrial structure. The implications of developing this new village structure had to be examined closely and the types of industries to be developed should be carefully studied. The Community Development programme should be reassessed in this context and modified if necessary.

He also pleaded for greater share to the States with regard to the industries started in the public sector. The States were not expected to take up projects like development of mines and the allotment for industries for the States sector was very small. But the States should be in a position to start new industries in the rural areas since private industrialists were not prepared to go to these areas. Fertiliser production could be easily undertaken by the States.

The Chairman intervened to remark that while there was no objection to the participation of the States in industries in the public sector, the States actually wanted the Centre to provide the funds which they proposed to invest in their own name in the public enterprises. He pointed out that all the Central resources were tied up in various schemes and when a State came up for help, various difficulties arose including that of foreign exchange.

16. The Union Home Minister, **Shri G. B. Pant** pointed out that the States would not be able to raise much of additional resource by their own efforts for putting up State enterprises over and above the resources which had already been taken into account for the Plan.

17. The Chairman remarked that it might be possible for the States to raise special loans for special purposes.

18. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** said that the States found it very difficult to get the necessary foreign exchange.

19. The Union Home Minister, **Shri G. B. Pant** remarked that in case it was not possible to find the requisite foreign exchange, some re-adjustment of the Plan was inevitable.

20. The Chief Minister, West Bengal, **Dr. B. C. Roy** referred to the delay that occurred in getting the concurrence of the Planning Commission, Ministry of Commerce and Industries and Ministry of Finance (Department of Economic Affairs). He mentioned in this context the proposal to establish a fertiliser factory in State sector in West Bengal for which he had made arrangements with a foreign firm. But he had to process it through the Centre and that caused delay. He felt that such proposals should be considered sympathetically and promptly by the Centre.

21. The Minister of Commerce and Industry, **Shri L. B. Shastri** clarified that some delay was inescapable in considering such proposals since his Ministry, the Planning Commission and the Department of Economic Affairs had to deal with the case. But with regard to the proposal for fertiliser factory in West Bengal, he had already asked the Chief Minister, West Bengal, to go ahead with the proposal. Similarly in the case of Andhra Pradesh, he anticipated the concurrence of Planning Commission and authorised the Andhra Government to proceed in the matter. But the Andhra Government had stated subsequently that the Centre should provide the funds. His Ministry did not come in the way of any State Government going ahead with any project. But the limitations of foreign exchange and the need for tying up the available resources with big and small projects included in the Plan could not be ignored.

22. The Chief Minister of Kerala, **Shri P. Thanu Pillai** pointed out that the real difficulty in States starting industries was lack of finance. Talking about removal of regional imbalances, he referred to the special problems of Kerala relating to high density of population, limited availability of land, large number of educated unemployed and said that the modest draft plan proposals submitted by the State Government should receive sympathetic consideration. He pointed out that within the last two plans Kerala had received relatively smaller Central assistance than other States. Though Rs. 685 crores had been spent on industries in public sector, the investment in Kerala had been only about Rs. 79 lakhs. Shortage of raw materials was not the only consideration. Industries like heavy electricals could be located in Kerala. It is for the Planning Commission to find out what industries could be located in a State like Kerala. While Kerala produced 90 per cent of the rubber produced in the country, rubber factories had not been located in the State. The State wanted to increase rubber cultivation in one or two lakh of acres and he pressed that funds for this purpose should be made available by way of loan.

23. The Chairman pointed out that a year ago a decision was taken in the Planning Commission

that the Central Government should agree to the State Governments undertaking industrial and mineral projects on their own or in association with the Centre provided they had the necessary technical competence and could raise resources for setting up such projects.

24. The Deputy Chairman, Planning Commission, remarked that the issues raised by the Chief Minister of Kerala regarding Kerala's plan could be considered while discussing the question of allocation. With regard to foreign exchange for State projects, if a scheme was included in the plan, it should be able to get the requisite foreign exchange. As regards the provision of Rs. 50 crores for industries in the State sector, he clarified that this allocation was not a rigid one and could be raised to some extent, if necessary.

25. The Industries Minister, Punjab, **Shri Mohan Lal** felt that it would be impossible for States to implement their schemes relating to small and village industries with an allocation of Rs. 130 crores provided in the Plan for the States sector.

26. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** made a strong plea that along with food production small scale industries and power should be given very high priority. Imbalances in regional development could be corrected to a large extent by starting small industries in backward areas.

27. The Member (Industries), Planning Commission, **Shri T. N. Singh** said that it was appreciated by the Planning Commission that something more was necessary for small and village industries but for the time being only the present provision was found feasible within the available resources. It was, however, not correct to say that the provision for State sector for small and village industries was only Rs. 130 crores. The provision in the Central sector included Rs. 89 crores for the schemes of the Khadi Commission which again would be implemented in the States.

28. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** stated that without institutional changes in the form of Panchayati Raj, utilisation of rural manpower and the implementation of the Plan could not be effective. The Panchayat Samities in Rajasthan had already promised contribution of Rs. 20-25 crores in cash and labour for the sectors allotted to them. In the case of State's participation in public sector industries, the main limitation for the backward States was their inability to raise additional resources. He wanted that rigidity regarding the procedures relating to sanctions and reappropriations should be removed and that the system of matching contribution which enable the States who were better off to benefit more under centrally-sponsored schemes should be revised. The mineral resources of Rajasthan needed to be fully explored quickly.

29. The Finance Minister, Assam, **Shri F. A. Ahmed** referred to the proposal made by some oil companies to develop certain industries in his State and complained that this was turned down by the Ministry of Steel, Mines and Fuel on the ground that these should be in the public sector and not private sector. He wished to have a clarification of policy.

30. The Union Minister, Steel, Mines and Fuel, **Sardar Swaran Singh** said that the States should be very cautious about entertaining proposals made by oil companies. What might appear to be attractive at first sight might not be really so. Moreover, utilisation of things like natural gas or crude oil must conform to some sort of a common pattern.

31. The Chairman endorsed this view and said that with their enormous power and resources, the oil companies had been able to exercise considerable pressure in many countries.

32. The Chairman suggested that the discussion might proceed item by item. He said that the basic question that had to be considered was implementation. It was essential to have strict tests

about implementation.

33. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** stressed the need for providing sufficient funds for industries and irrigation and adopting a definite policy regarding natural resources.

He pointed out that the holding of price line was also most important. A definite decision on State trading was necessary. Madhya Pradesh Government were prepared to hand over their surplus stocks of wheat on a no-profit-no-loss basis. He insisted that the cultivator should get a fair return. He also suggested increased allotment for education, public health and communications. Any drastic revision of plans which had been built from the bottom in these sectors tended to create frustration. He urged that the State Governments should be partners in the Central projects.

34. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** while agreeing with the Chairman regarding the basic importance of implementation, pointed out that it was the failure to implement the second Plan which was responsible for the shortfall in food production, production of coal, iron and steel and rise in prices. In rural areas due to transport bottleneck even the quotas of coal which were allotted were not available. Referring to the Third Plan, he expressed the view that the allotment for major and medium irrigation was inadequate. Only Rs. 100 crores were available for new schemes. The allotment for village and small industries should be revised upwards. He agreed that local works programmes should be developed through Panchayats but that would not provide permanent employment. That could be done only through the development of small industries.

35. The Chairman remarked that the Chief Minister, Bihar wanted additional allotment under almost every head without indicating the source for additional resources. He pointed out that allotments could be increased in the middle of the Plan period if resources were available.

36. The Member (Agriculture), Planning Commission, **Shri Shriman Narayan** referred to the provision of Rs. 300 crores envisaged for minor irrigation and suggested that State Governments should conduct a proper survey for taking up minor irrigation schemes.

37. The Chief Minister, Bihar, **Dr. Srikrishna Sinha** said that even if there were minor irrigation schemes, for years of scarce rainfall, arrangement for storage in major reservoirs would be necessary.

38. The Law Minister, Mysore, **Shri T. Subramanya** pressed for the inclusion in the Third Plan of the development of Mangalore and Karwar ports and also rail links to these ports from Hasan and Hubli respectively.

39. The Industries Minister, Madras, **Shri R. Venkataraman** stated that the country could afford only a plan of the size of Rs. 10,200 crores as envisaged in the Draft Outline. It should, however, be ensured that within the framework of the Plan all the regions in the country derived maximum benefit. The rate of growth during the first two Plans had not been uniform in all parts of the country and the Third Plan was likely to accentuate the disparity. He quoted some figures from the Quarterly Economic Report of the Indian Institute of Public Opinion in support of this argument. According to this Report, between 1950-51 and 1965-66, the total income of the Indian Union would have risen by 86.38 per cent. over the income in 1950-51. Out of this, the increase in Punjab would have been 130.85 per cent., Orissa 114.86 per cent., Gujarat 101.02 per cent., Bihar, Maharashtra and West Bengal about 100 per cent., Andhra 70.22 per cent., Assam 69.12 per cent., Kerala 76 per cent. and Madras 69.95 per cent. If the investment in industry in the Third Five Year Plan was considered, the Southern Zone would have only 17.9 per cent., Central Zone 37 per cent., Northern Zone 27 per cent., Western Zone 33.39 per cent. and Eastern Zone 54.6 per cent. He clarified that he was not

talking about the economic condition of the individual States as such but he was only referring to the rate of progress in the various regions. The investment during the Third Plan period should not be made in a manner which would accentuate the disparity with regard to the rate of progress which had already come into being as a result of the first two Plans. In our attempt to develop the economically less-advanced States, the progress in the advanced States should not be held back either. With regard to Madras, nothing much could be done in the agricultural sector since the optimum had been reached with regard to utilisation of irrigation facilities. Only investment in industry could raise the standard of living of the people in the Madras State. There were not many public sector projects located in Madras State.

40. The Chairman pointed out that the data quoted by the Industries Minister, Madras, which put up Orissa as a symbol of progress could not be accepted at all. The presence of big industries in areas like Bengal, Bihar and Orissa which contained the coal and steel belt did not by themselves make these States rich. In fact, Bihar was one of the poorest States in India in spite of the fact that a certain part of it is highly industrialised. While in areas favoured with natural resources the industrial growth had to be of a particular kind, in other areas other types of growth could take place. In spite of the absence of heavy industries Punjab was prosperous, thanks to the development of agriculture and small industries. In fact, development of small-scale industries was going on rapidly in Punjab without help from the Planning Commission. Madras had also done very well in small industries. It was not always an advantage for the States to have big plans. In fact, small industries were often more profitable and created more employment. As regards employment, the big projects had diverse requirements and had necessarily to recruit on an all-India basis.

41. The Industries Minister, Madras, **Shri R. Venkataraman** observed that with a view to ensuring even development during the Third Plan period, the private sector in Madras should be given facilities for developing at a faster pace especially in view of the fact that the public sector projects were not many in the State. Shortage of steel and coal was affecting the development of light engineering industries for which there was great scope. Many plants had to be closed for want of steel and coal. Due to transport bottle-necks, even the allotted quotas were not available. The doubling of Madras-Calcutta line was imperative to facilitate easier movement of steel and coal.

There should also be a national price for coal as in the case of steel and cement. This would help the backward States to develop.

The facilities with regard to ports were also limited. Unless Tuticorin port which was in a backward region was developed, it would not be possible to get the imported materials cheaply and the industries depending on imported material could not develop.

42. The Deputy Chairman, Planning Commission, stated that as against the requirement of port facilities for 41 million tons, the present capacity was inadequate. A Committee was considering the matter.

43. The Chairman said that he himself was rather worried about this matter.

The Council then adjourned till 3 P.M.

AFTERNOON SESSION
SEPTEMBER 12, 1960

44. The Chief Minister, Orissa, **Dr. Harekrushna Mahtab** said that the centrally sponsored schemes should include irrigation, primary education, flood control and other important items. In the Second Plan, many important items came under centrally sponsored schemes. But some of the schemes had been included in the States' sector under the Third Plan.

45. The Chairman observed that the assumption in the Draft Plan that development schemes executed by the State Governments would form part of the plan of the States was meant to broaden the scope of the State Plan and thereby facilitate the working of the programmes of the States. The question of financing was a different matter. But the responsibility for matters like primary education should be 100 per cent. responsibility of the State. Normally, local bodies were responsible for primary education.

46. The Minister for Education, **Dr. K. L. Shrimali** said that Chief Minister, Orissa was obviously referring to special assistance for backward States and this had been accepted in principle.

The Chief Minister of Orissa, **Dr. Harekrushna Mahtab** clarified that some schemes which were of greater importance might be taken up as centrally sponsored schemes in the sense that the total cost would be borne by the Centre.

47. The Minister for Finance, Uttar Pradesh, **Shri S. Ali Zaheer** pointed out that per capita income in U.P. was lower in 1958-59 than the per capita income for the whole country while it was slightly higher in 1950-51 than the then per capita national income. The food production had gone up. Out of the all-India increase in food production of 6 million tons, U.P. accounted for 1.6 million tons. U.P. did not get its due share out of the Second Plan outlay and the per capita plan outlay had been only Rs. 37.27 as against the outlay in other States which ranged from Rs. 46 to 91.31. The Third Plan provision for new major and medium irrigation schemes was only Rs. 100 crores while U.P. alone required Rs. 36 crores.

About 77 to 78 per cent. of the people depend on land and at least 15 per cent. of them had to be diverted to other occupations. This would not be possible unless sufficient funds were allotted for the development of industries. There should also be latitude for diverting funds from one scheme to another. There were a number of government buildings which were 100 years old and money should be provided in the Plan for their repair and maintenance.

48. The Chairman remarked that while the population was increasing rapidly in U.P., productivity per acre had not gone up. The average annual rate of change has been 6.22 in Mysore while in U.P. it was only 1.93 and Bihar 0.78.

The problems of agriculture in India were modernisation and hard work. In U.P. antiquated implements were still in use. The unutilised irrigation potential was as much as 8 lakh acres. Reclamation of saline land which amounted to 8 million acres and which could be done with very little investment could add considerably to agricultural production in the State. What was needed for this purpose was not irrigation facilities but sinking of small tube-wells costing about Rs. 3,500 to Rs. 4,000.

49. The Deputy Chairman, Planning Commission remarked that although investment in U.P.

had been smaller under the Second Plan compared to the other States, this should not be a handicap with regard to the development of agriculture. The rate of increase in the case of certain crops in the States had been less than the rate of growth of population.

50. At the instance of the Chairman, item No. 3 of the agenda regarding resources was then taken up.

51. The Chief Minister, West Bengal, **Dr. B. C. Roy** pointed out that the commitments made regarding Central assistance for the Second Five Year Plan of West Bengal had not been fulfilled and there was a shortfall of Rs. 13 crores.

It would not be proper to consider the resources to be raised by each State before the size of the plan was discussed, because the amount of resources that could be raised depended on the plan that was approved. He wanted to know whether the share of Central assistance to each State could be indicated now.

He further suggested that the Council should meet in December to consider the resources after the size of the State plans had been settled.

52. The Deputy Chairman, Planning Commission pointed out that the amount of Central assistance available would be indicated when the State plan was discussed. Again, it would be subject to review every year. The final figure regarding Central assistance might not be the same as the figure indicated originally. He suggested that the general pattern regarding resources and the principles that should govern the distribution of outlay between the States might be considered now.

53. The Chairman agreed with Chief Minister, West Bengal, that resources were governed by the size of the Plan and that the Council should meet in December to consider the matter in greater detail. He suggested that the Council might discuss during its current session the broad conception of resources.

54. The Union Minister of Home Affairs, **Shri G. B. Pant** observed that the basic outline of the Plan might be taken as already approved and only the details regarding distribution of resources and allocation of liabilities regarding taxation, etc. remained to be discussed.

55. The Union Finance Minister, **Shri Morarji Desai** said that the Central assistance partly depended on the external assistance and it was not possible to fix the basic figure of Central assistance now. It had also to be considered whether Rs. 550 crores envisaged from additional taxational by States could be realised. Out of Rs. 550 crores Rs. 250 crores had been assessed as from rural taxation. During the Second Plan period only Rs. 17 crores would actually come from this source as against Rs. 76 crores assumed under this head. It was also necessary to consider the co-ordinated policy to be adopted regarding market borrowing, surplus from public enterprises and non-development expenditure.

56. The Chairman pointed out that the paper circulated by the Planning Commission on resources was a broad attempt at assuming the picture of the States' resources for the Plan. These assumptions were based on the tentative figures furnished by many of the States. While the figures would be revised after consultation with the States, the Council might proceed to discuss the position as indicated in the paper circulated by the Planning Commission.

57. The Chief Minister, West Bengal, **Dr. B. C. Roy** observed that the State Electricity Board could borrow up to Rs. 10 crores from the market and the Legislature could sanction the borrowing

of more than Rs. 10 crores. This item did not appear to have been included under States' resources for the Plan. Similarly, Transport Corporation could also float loans. In West Bengal there was the State Development Corporation which could also borrow from the market. All these would have to come under the resources of the States, besides additional taxation, etc.

58. Shri V. T. Krishnamachari said that the States would have to provide resources to the extent of Rs. 1,200 crores for the Plan according to the tentative estimates worked out in March 1960. Out of this, additional taxation accounted for Rs. 550 crores. The position emerging from the discussions with the States indicated that only resources to the extent of Rs. 812 crores had been promised by the States.

59. The Chief Minister, West Bengal, **Dr. B. C. Roy** reiterated that as far as West Bengal was concerned, the figure relating to borrowing from the public had been given as Rs. 35 crores. The State Government had, however, not included in this figure the borrowing of public enterprises like Electricity Board. Hence, the picture regarding the resources of West Bengal could not be said to be complete. If all these loans were taken into account, the figure relating to additional taxation required for financing the Plan might be different.

60. The Deputy Chairman, Planning Commission pointed out that even if loans were raised from the public, provision had to be made for repayments and additional taxes would be necessary for this purpose.

61. The Chairman drew attention to the fact that a good part of the additional revenue of the States had to come from land revenue. He suggested that this as well as other aspects relating to resources might be considered further on the next day at 10 A.M.

The meeting was adjourned till 10 A.M. on September 13, 1960.

MORNING SESSION
SEPTEMBER 13, 1960

62. The Chief Minister, Gujarat, **Dr. Jivaraj Mehta** referred to the shortfall of expenditure in Saurashtra and Cutch areas occasioned by the State's reorganization and suggested that special provision should be made to make up the shortfall in addition to the regular provision for the Third Plan of the State.

63. The Deputy Chairman, Planning Commission observed that one of the considerations in determining the size of the Plan would be the lags in development in different areas.

64. The Finance Minister, Assam, **Shri F. A. Ahmed** pointed out that special provision was necessary for the reorganisation of the Police in his State, the need for which was evidenced during the recent disturbances.

65. The Chairman said that this was a question which would have to be separately considered and this could not be part of the Plan.

66. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** reiterated his request that the provision for Social Services should be increased by Rs. 200 to 300 crores. The cost of schools, medical colleges, nursing homes and polytechnics was high, while the need for them was urgent.

67. The Chairman said that while he was in general agreement with the Chief Minister of Madhya Pradesh regarding the need for more schools, hospitals and polytechnics, he had to point out that the very lavish expenditure on buildings was responsible for increasing the cost of these institutions. Small hospitals could be set up in simple buildings without expensive machinery which should be provided only for the central hospitals. The museum in Mexico city which was one of the finest museums in the world was actually built up in a number of hutments to begin with. He noted that the progress made in the first two plans with regard to health had been quite remarkable in terms of rise in the expectation of life. In the case of education, the limiting factor had been the tie up with heavy construction cost of buildings. Polytechnics were more important than degree colleges, but even here the training imparted should be further diversified and cover different kinds of skills needed in our steel plants and other industries. Short courses of training for particular jobs should be organised and people who could not afford college education should be able to benefit from these courses. The standard of university education might be maintained through imposition of strict tests of merit, but those who did not qualify for university education should be provided with other types of training. The Community Development Scheme was supposed to give training in rural areas to some extent for various kinds of occupations. The need for such training was, however, now more urgent in cities and towns.

68. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** remarked that it would be wrong to restrict admission to the colleges on theoretical grounds before alternative facilities for training were made available. The backward classes might not be in a position to get higher education if too much emphasis was placed on merit. There was also another aspect with regard to university education. Higher education gave the people a better social status.

69. The Minister of Law, Mysore, **Shri T. Subramanya** referred to certain difficulties regarding apprenticeship in the public .sector projects in Bangalore under the craftsmen training scheme.

70. The Deputy Chairman, Planning Commission said that a special scheme for apprenticeship

was being drawn up and most of the difficulties would be rectified under that scheme.

71. The Minister of Law, Mysore, **Shri T. Subramanya** said that the State Government had exceeded the targets fixed for taxation during the Second Plan period, and for the Third Plan they would do their best to come up to the expectation of the Planning Commission. In view of the special problems relating to communications and irrigation, he said that the draft plan of Mysore should not be curtailed. He also said that the provision of Rs. 250 crores for Roads in the Third Plan was inadequate.

72. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** pointed out that the question of replacing sales tax by central excise on some of the commodities which were now subject to sales tax in the States should be pursued since it would lead to increased revenue for the States. It was also desirable that a uniform policy for the entire country should be evolved with regard to betterment levy. The manner of disbursing Central assistance should not put a premium on the States not fulfilling their commitments regarding raising of internal resources. During the Second Plan, full Central assistance appeared to have been given to some States even though they did not raise the required additional taxes. It should be ensured that the amount of additional taxes agreed to by the States were actually raised. In determining the Third Plan outlay of the States, the performance during the first two plans and the shortfalls in the different sectors should be kept in view. The gaps in the different sectors with reference to the all-India average in any particular State would have to be made up. In locating public sector projects of the Government of India, the potentialities of each State should be examined. Rajasthan had the biggest deposits of copper. There might also be possibilities of striking petrol and gas since they had struck gas across the border in Pakistan. The survey started for exploring gas and oil resources during the First Plan in Rajasthan had been discontinued under the Second Plan. Necessary provision should be made for these surveys and also the development of the other mineral resources.

As a matter of policy, new industries in the bigger towns like Bombay, Ahmedabad, etc. should be discouraged. More attention should be paid to development of power in the backward States since power is the deciding factor with regard to industrialisation.

In Rajasthan, the Rajasthan Canal involved heavy investment during the Third, Fourth and Fifth Plan periods. The full effect of the investment during the Third Plan period could be realised only in the course of the Fourth and Fifth Plans. Special consideration would have to be given to this aspect while deciding about the plan outlay for Rajasthan.

In the field of education, medical facilities and roads, the State was more backward than other States. All these factors should be taken into account along with the criteria suggested in the Planning Commission's note in fixing the Third Plan outlay for Rajasthan.

73. The Chief Minister, West Bengal, **Dr. B. C. Roy** said that it would not be possible for the States to make adjustments with reference to local conditions if the sales tax was replaced by excise duties. He also referred to the Report of the Finance Commission wherein it was stated that reliable figures relating to State-wise consumption of commodities like sugar, textiles and tobacco, which were at present subject to Central excise, were not available. The scientific basis for the distribution of the income obtained from excise duties was, however, that of consumption of the commodities subject to these duties.

74. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** pointed out that the replacement of sales tax by excise duties would amount to the States surrendering their inherent powers with regard to taxation. Moreover, in the absence of figures relating to consumption, it would not be

possible to distribute the proceeds of the new excise duties on a scientific basis.

75. The Member (PP), Planning Commission, **Prof. P. C. Mahalanobis** said that surveys had been undertaken by the National Sample Survey and information was available about consumption. The position had improved considerably since the Report of the Finance Commission referred to by the Chief Minister of West Bengal as the National Sample Survey had completed many more rounds of survey. The size of the samples had been increased and much more accurate data would now be available. There would, however, be difficulty with regard to textiles since only rough estimates had to be made about ready-made garments.

76. The Industries Minister, Madras, **Shri R. Venkataraman** said that the States should have the power to recommend an increase in the rate of excise duty with regard to the commodities which were subjected to sales tax with reference to their requirements.

77. The Union Finance Minister, **Shri Morarji Desai** said that this would not be possible and that once the sales tax was replaced by excise duty, it would be for the Centre to regulate the rate from time to time.

78. The Chairman said that it was not correct to say that the States were surrendering their inherent rights of taxation by agreeing to the imposition of excise duties in the place of sales tax. It only meant that the Centre was being made the agent for raising the revenue. He further observed that the Council was of the opinion that the question of distributing excise duties on the basis of consumption should be considered and statistics about the consumption of the articles which are subject to central excise should be compiled in the course of the next six months by the Central Statistical Organisation.

79. The Member (Industry), Planning Commission, **Shri T. N Singh** referred to the question raised by the Chief Minister of Rajasthan regarding the location of industries and said that the licensing policy in the case of private industries sought to ensure, as far as possible, that there was no further concentration in metropolitan towns. In the case of public sector industries, the question of location was decided on the advice of expert committees.

80. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** said that the problems of urbanisation had to be kept in view in fixing the size of the plan of the State. The capacity of the State to raise its own resources should also be an important criterion in determining the outlay for the Third Plan period for any State.

81. The Union Minister of Community Development and Cooperation, **Shri S. K. Dey** observed that development of modern agriculture, on which the Chairman had rightly put emphasis, depended essentially on rural electrification. A very large section of the people in the village depended on non-agricultural activities and the Plan, with its limited provision for village and small industries, had very little to offer to them. The progress of small industries was also linked up with rural electrification. Some rethinking was necessary with regard to the plan for these two items. The distribution of essential commodities like iron and steel and cement should also be organised properly. He also pointed out that in many areas fruits and other agricultural produce could not be sent to the market for want of rural communications. The provision made for roads in the Plan was not adequate. The number of polytechnics should also be increased.

82. The Prime Minister of Jammu and Kashmir, **Bakshi Ghulam Mohammed** said that some of the States had been left backward mainly due to want of opportunities for development in the past. Development of these States should be one of the essential criteria in fixing the plan outlays

for the States. If the Plan outlay of a State was to depend mainly on the amount of resources the State was able to raise, as made out by the Chief Minister of Maharashtra, then it would not be possible for the backward States to make any appreciable progress. It would lead to lopsided development and the balanced development of the country as a whole could not be ensured if the States which were already advanced were allowed to develop further without the backward States being given special assistance.

83. The Deputy Chairman, Planning Commission, observed that while marginal adjustments were always possible between different sectors, it would not be possible to make any sizeable increase in the size of the Plan. The question of implementation was as important as the distribution of outlays between different States. If the resources allotted to the States were utilised to the best advantage, that itself would facilitate drawal of further resources for future development.

He also explained that it would not be possible to accept the suggestion that there should be no reduction in the outlays proposed under the draft plans of the different States. In fact, the total of these outlays amounted to three times of Rs. 3,525 crores earmarked for the State plans. The reason for putting up the paper on the criteria to be adopted in fixing the outlay for the State plans for the consideration of the Council was to get the help and guidance from the Council in the difficult task involved in settling the size of the State plans. A number of suggestions had emerged during the discussion. It was clear that no single formula could be adopted in all the cases. A number of factors like population, area, backwardness, resources, gaps existing in the different sectors, etc. had to be considered. Adequate provision had to be made for the fulfilment of national objectives like self-sufficiency in agricultural production, universal primary education, eradication of malaria, etc. The projects taken up under irrigation and power during the Second Five Year Plan have to be completed during the Third Plan in order to get maximum benefits out of the investment made in these projects, Their spill over expenditure had, therefore, got to be provided for in full. There were also special needs for particular areas like un-employment, predominance of agricultural labourers, etc. Mention had also been made about urbanisation. All these matters would have to be considered when the State plans were discussed. He assured that the examination of the State plans would be done in the most objective manner.

84. The Chief Minister, West Bengal, **Dr. B. C. Roy** said that an integrated programme was necessary in the case of rural electrification. Extension of electric power to rural areas for irrigation alone would be uneconomical, and there should be programmes for development of industries, street lighting, etc. along with the programme for utilisation of power for irrigation.

85. The Chairman said that it was not desirable to have a purely mechanical approach to the problem of development or to insist that development depended mainly on the monetary resources made available. The emphasis should be on work.

86. The Chairman wound up the discussion on the first three items by pointing out that there was broad acceptance of the Draft Outline of the Third Five Year Plan. The suggestions made were mainly regarding adjustments with regard to allocations between different sectors.

87. The paper dealing with cooperative credit was then taken up for consideration. In this context, the Chairman referred to the report he had received regarding the progress made in Cuba about cooperative development. The surplus lands taken over by the State had been handed over to the cooperatives in Cuba. The peasant was the employee of the cooperative and received an income much higher than what he ever earned. The cooperative was building houses for him, putting up schools and hospitals and providing other facilities. The Cuba Government had rightly realised that

the only way a poor country would develop agriculture was through the instrument of cooperatives.

88. The Minister for Cooperation, Uttar Pradesh, **Shri M. L. Gautam** said that the present proposal was to go in for a primary cooperative covering upto 3,000 population for achieving viability. In Uttar Pradesh, Gram Sabhas had been organised, each covering a population of 750 and it was proposed to have a service cooperative in each Gram Sabha. Difficulties had been experienced in getting finance from the Reserve Bank for these small societies on the ground that these would not be viable units.

89. The Chairman intervened to say that the present proposal was only meant to introduce a certain degree of flexibility. It only said that in exceptional cases we could go a little further with regard to coverage of population than what was envisaged in the earlier resolution of the Council.

90. The Minister of Cooperation, Uttar Pradesh, **Shri M. L. Gautam** continuing his remarks said that if it was only a question of permitting States to have one society covering upto 3,000 population, they would like to adhere to the old pattern, namely, having one primary unit for each Gram Sabha. There were, however, difficulties in sofar as these units would take more time to become viable and assistance would have to be given for a longer period than in other cases. He felt that a society covering a population of 3,000 could not achieve social cohesion.

91. The Chairman pointed out that the Mehta Committee's recommendations were quite clear with regard to the primary societies maintaining the essential characteristics of cooperation, namely, close contact, social cohesion and mutual obligation. The Committee had only suggested certain degree of flexibility for achieving economic viability. There was no intention that the existing societies should be disturbed in any way. After all, conditions were not the same all over India and there was need for a flexible pattern.

92. The Minister for Cooperation, Uttar Pradesh, **Shri M. L. Gautam** pointed out that the Reserve Bank might not permit the State to participate in the small societies.

93. The Chairman clarified that the matter had not been brought before the Council on account of any change in the fundamental policy. In view of the great importance of cooperation, the Council would have to consider about the progress of cooperation in every meeting.

94. The Deputy Chairman, Planning Commission, observed that the present proposals had been evolved in consultation with the Reserve Bank and, therefore, there would not be any objection from the side of the Reserve Bank in implementing the proposals. He also made it clear that the population figure of 3,000 was the maximum and it would be an exception rather than the rule. While talking about viability, it was potential viability that was to be considered.

95. The Union Finance Minister, **Shri Morarji Desai** observed that there was no point in having societies which could not be viable after getting assistance for some years in the beginning.

96. The Union Minister of Community Development and Cooperation, **Shri S. K. Dey** said that two new points had also been raised in the paper. One was regarding share capital participation in the primary society and the other related to outright grants to the primary societies and the central bank for constituting special bad debt reserve funds.

97. The Minister for Cooperation, Uttar Pradesh, **Shri M. L. Gautam** wanted that State participation in the share capital of primary credit societies should be direct and referred to the recommendation of the State Ministers' Conference held at Srinagar that the number of State participation in primary credit societies should be left to be decided by the States.

98. The Minister for Industries, Madras, **Shri R. Venkataraman** supported the Minister for Cooperation, Uttar Pradesh. He said that, in Madras, the principle of indirect participation was adopted three to four years back and this was changed on the advice of the Reserve Bank. Under the scheme of indirect participation, the share capital at all levels got artificially inflated since the same amount appeared in the share capital of apex bank, the central bank and the primary credit societies. It would, of course, not be difficult to change the procedure now, but this would only mean constant shifts in policy which was not conducive to the growth of the cooperative movement.

99. Shri V. T. Krishnamachari said that it was desirable that the apex banks and the central banks accepted the responsibility for the soundness of the cooperative movement. For this purpose indirect participation through apex and central banks would be necessary. The homogeneity of the movement should not be disturbed by direct participation by the State.

100. The Minister for Cooperation, Uttar Pradesh, **Shri M. L. Gautam** said that when the central banks were weak, it would be difficult to have indirect participation in the primary credit societies.

101. The Union Home Minister, **Shri G. B. Pant** observed that the apex banks could participate in the share capital of the primary society if the central banks were not in a position to do so. With a view to keeping the cooperative movement as a people's movement, it was advisable that the State did not participate directly and nominate its own directors.

102. The Chief Minister, West Bengal, **Dr. B. C. Roy** while agreeing with the Union Home Minister that the vitality of the cooperative movement would be affected if there was domination of government officials, said that direct participation would raise the confidence of the people in the cooperative institutions. Government could take shares without having any right to vote.

103. The Minister for Industries, Madras, **Shri R. Venkataraman** said that there were factions in the boards of directors of many central banks. There were also cases of domination by vested interests. In all these cases, primary credit societies could not get justice unless there was direct State participation.

104. The Minister for Cooperation, Uttar Pradesh, **Shri M. L. Gautam** said that the primary credit society would be dominated by the central bank under the system of indirect participation, since the central bank would have its nominees in the board of directors of primaries. There were cases where the central bank had refused to affiliate cooperative credit societies which had already been registered. The State Government could not ensure the proper growth of the cooperative movement and reach the targets if it was to leave everything to the apex and central banks. It was to be remembered that it was the State which had to borrow money from the Reserve Bank for share capital participation.

105. The Minister for Irrigation, Bihar, **Shri Dipnarain Singh** said that there should be indirect participation, but the central banks should also not have any right to nominate members to the managing committee of the primary credit societies. The village society should be allowed to grow by itself. He also suggested that the principle of share capital participation on matching basis should be given up. If the aim was to develop the primary credit societies and if a particular society was not capable of raising share capital immediately, the required amount of share capital should be contributed and it should be retired after the society achieved viability.

106. The Chief Minister of Maharashtra, **Shri Y. B. Chavan** said that the primary society was a service society and had got other functions besides distribution of credit. The State Government was directly concerned with its other functions like marketing, supply of seeds, etc. The entire

responsibility for the supervision and development of primary credit societies could not, therefore, be left to central banks and apex banks which were concerned only with credit. In fact, things might be viewed only from the banking aspect by the Central banks and there might be circumstances under which the banking view-point might be in conflict with the requirement for rural development. He felt that the recommendations of the State Ministers' Conference in this matter were sound and should be accepted. He also did not agree with the idea that direct State participation would crush the vitality of the movement. It had to be remembered that under the democratic set up, government represents the people and participation of government could not affect adversely the growth of any people's movement like cooperation. He was prepared to have direct State participation without the State having the right to nominate members to the board of directors of the village credit societies.

107. The Chairman said that the Planning Commission and the Ministry might reconsider the matter on the basis of non-interference by government.

108. Shri V. T. Krishnamachari said that the only point to be re-examined was whether there should be direct participation of the States in the share capital of the primary societies on the basis that there would be no State nominees. Subject to this, the paper circulated by the Planning Commission might be accepted.

109. The question of outright grants was then considered. The Chairman said that the point raised was simple. In a village, people who had very limited land did not derive full advantage from cooperatives and some special steps were necessary to provide them full opportunity. The term 'weaker sections' was, however, vague. It was better to refer to persons having land less than a specified amount.

110. The Minister for Industries, Madras, **Shri R. Venkataraman** said that the Madras Government had a guarantee scheme under which the State Government shared a certain percentage of the loss with regard to loans given to landless persons. It might be possible to extend this scheme and classify the weaker sections or sub-marginal sections with reference to a specified minimum of area of land owned or cultivated. This minimum would have to be different for different areas and the central bank can decide in the light of its knowledge of the local conditions.

111. The Minister for Cooperation, Uttar Pradesh, **Shri M. L. Gautam** said if the definition of weaker sections was according to the ownership or cultivation of land, the landless labourers might be left out. Persons having no lands had to be given loans for taking up occupations like fish culture, poultry and cattle rearing. The Reserve Bank did not give loans for these purposes. The village production programme should include all these purposes and credit should be made available. He also said that outright grants should be on the basis of total loans and there should not be unnecessary distinction between weaker sections and other sections.

112. Shri V. T. Krishnamachari said that loans had to be given for the production programmes.

The Chairman remarked that egg, poultry, fish, etc. must come within the production programme.

113. The Minister for Cooperation, Uttar Pradesh, **Shri M. L. Gautam** raised the question of enhancing the managerial subsidy for primary credit societies which had been fixed at Rs. 900. The Deputy Chairman, Planning Commission said that this would not be possible.

114. The Chief Minister of Madhya Pradesh, **Dr. K. N. Katju** said that the percentage of absentee members in a cooperative farming society should be increased to half since, on grounds of physical disability, sex, age, etc. a large number of landholders might not be able to participate in the

agricultural operations. He further said that five years' limit for pooling of the lands should be reduced to three years.

115. The Chairman said that admission of absentee landholders as members to the extent of one-fourth of the total membership, as proposed in the paper, had been agreed to with much reluctance and it was not desirable to increase it to half.

116. In his concluding address, the Chairman referred to his forthcoming visit to Pakistan to sign the Canal Waters Treaty which had been pending for twelve years. He said that he might also go to attend the meeting of the United Nations General Assembly, in spite of the pressing engagements here, in view of the unusual situations developing in the United Nations and in the Congo and African States.

He said that while we talked a good deal about considering every question from the all-India point of view, we did not apply this principle when our own interests came into the picture. In Assam, there was trouble with regard to employment of persons in the refinery from outside. We have found oil in Gujarat and it would take time to put up a refineiry there. Before the refinery came into being, oil may have to be taken outside the State. There was, however, some agitation that the oil should not be taken out of Gujarat. It was not correct to bring in provincial interests with regard to such national projects. In the Central enterprises, the rule should be to employ the best men available without regard to the State from which they came. There should not be any narrow-mindedness in such matters. In fact, he was thinking of talking to Pakistan authorities for getting gas from Pakistan, if it is available.

With regard to agricultural production, while emphasis has to be given on wheat and rice, the importance of millets should not be forgotten. Referring to the size of the Plan and the strategy underlying the Plan, the Chairman mentioned that the World Bank Mission consisting of bankers who view things in a non-sentimental way have supported the strategy underlying our plan and have said that anything less than the investment envisaged for the Third Plan will be a peril to our country.

Talking about statistics which are fundamental for all planning, the Chairman pointed out that some of our statistics were gross underestimates and ignored a large number of things that were happening in the country. Great developments with regard to small industries are not reflected in our statistics because the statistics are still based on certain main agricultural commodities. There is also wide divergence between two sets of figures relating to agricultural production. Such differences in statistics are found even in countries like America and Japan. Of the two methods employed for collecting statistics, namely, the census method and the sample method, the trend of current thinking has been in favour of the sample method as being more accurate. Under the sample method, highly trained persons are employed and this eliminates errors due to the deficiencies of persons collecting the statistics.

The Chairman also laid great stress on implementation. The World Bank Report has characterised our economy as a booming economy. It has, however, to be ensured that the additional income which has been generated should be distributed equitably. A committee will be shortly set up to review changes in levels of living conditions during the First and Second Five Year Plans, to study recent trends about distribution of income and wealth and to ascertain the extent to which the operation of the economic system has resulted in concentration of wealth and means of production. It was decided that the next meeting of the Council will be held during the second week of December.

PARTICIPANTS

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1.	Shri Jawaharlal Nehru	.. .. ..	Chairman
2.	Shri Gulzarilal Nanda	.. .. ..	Deputy Chairman
3.	Shri Morarji R. Desai	.. .. ..	Member (Finance)
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6.	Shri Shriman Narayan	.. .. ..	Member (Agriculture)
7.	Shri T.N. Singh	.. .. ..	Member (Industry)
8.	Dr. A.N. Khosla	.. .. ..	Member (Education)
9.	Prof. P.C. Mahalanobis	.. .. ..	Member (PP)
10.	Shri S.N. Mishra	.. .. ..	Deputy Minister of Planning
11.	Shri L.N. Mishra	.. .. ..	Deputy Minister of Planning & Labour
12.	Shri Vishnu Sahay	.. .. ..	Secretary

SPECIAL INVITEE

Shri V.T. Krishnamachari

STATES

1.	Andhra Pradesh	.. .. ..	1. Shri D. Sanjivayya, Chief Minister
			2. Shri P. Ranga Reddy, Planning Minister
			3. Shri K. Bramhananda Reddy, Finance Minister
			4. Shri A.S. Raju, Public Works Minister.
2.	Assam	.. .. ..	1. Shri B.P. Chaliah, Chief Minister

		.. .. ..	2. Shri K.P. Tripathi, Planning Minister
			3. Shri F.A. Ahmed, Finance Minister
3.	Bihar	.. .. ..	1. Dr. S.K. Sinha, Chief Minister
			2. Shri Dipnarain Singh, Irrigation Minister
			3. Shri Ambika Saran Singh, Deputy Industries Minister
4.	Gujarat	.. .. ..	1. Shri Rasikbhai Parikh, Home Minister
			2. Shri M. Shah, Civil Supplies Minister.
5.	Jammu & Kashmir	.. .. ..	1. Bakshi Ghulam Mohammad Prime Minister
			2. Shri M.A. Mir, Development Minister.
6.	Kerala	.. .. ..	1. Shri P. Thanu Pillai, Chief Minister
			2. Shri R. Sankar, Dy. Chief Minister
7.	Madhya Pradesh	.. .. ..	1. Dr. K.N. Katju, Chief Minister
			2. Shri M.L. Gangwal, Finance Minister
			3. Shri S.L. Tewari Public Works Minister
			4. Shri S.S. Vishnar, Deputy Minister of Forests.
8.	Madras	.. .. ..	1. Shri K. Kamaraj, Chief Minister

			2. Shri M. Bhaktavatsalam, Home Minister
			3. Shri R. Venkataraman, Industries Minister.
9.	Maharashtra	.. .. ..	1. Shri Y.B. Chavan, Chief Minister
			2. Shri S.K. Wankhede, Finance Minister
			3. Shri G.D. Patel, Deputy Minister of Planning.
10.	Mysore	.. .. ..	Shri T. Subramanya, Law Minister
11.	Orissa	.. .. ..	Dr. Harekrushna Mahtab Chief Minister
12.	Punjab	.. .. ..	1. Sardar Partap Singh Kairon, Chief Minister
			2. Dr. Gopi Chand Bhargava Finance Minister
			3. Shri Mohan Lal Industries Minister.
13.	Rajasthan	.. .. ..	1. Shri Mohanlal Sukhadia, Chief Minister
			2. Shri Hari Bhau Upadhyaya, Finance Minister.
14.	Uttar Pradesh	.. .. ..	1. Shri S.A. Zaheer, Finance Minister
			2. Shri M.L. Gautam, Agriculture Minister.
15.	West Bengal	.. .. ..	Dr. B.C. Roy, Chief Minister.

UNION MINISTERS

1.	Shri Govind Ballabh Pant	.. .. ..	Minister of Home Affairs
2.	Shri Jagjivan Ram	.. .. ..	Minister of Railways
3.	Shri Lal Bahadur Shastri	.. .. ..	Minister of Commerce and Industry
4.	Sardar Swaran Singh	.. .. ..	Minister of Steel, Mines and Fuel
5.	Shri K.C. Reddy	.. .. ..	Minister of Works, Housing & Supply
6.	Shri S.K. Patil	.. .. ..	Minister of Food and Agriculture
7.	Hafiz Mohammed Ibrahim	.. .. ..	Minister of Irrigation & Power
8.	Shri A.K. Sen	.. .. ..	Minister of Law
9.	Shri Mehr Chand Khanna	.. .. ..	Minister of Rehabilitation
10.	Shri Raj Bahadur	.. .. ..	Minister of State (Shipping)
11.	Shri Manubhai Shah	.. .. ..	Minister of Industry
12.	Shri S.K. Dey	.. .. ..	Minister of Community Development and Co-operation
13.	Dr. K.L. Shrimali	.. .. ..	Minister of Education
14.	Shri B. Gopala Reddy	.. .. ..	Minister of Revenue & Civil Expenditure
15.	Shri B.R. Bhagat	.. .. ..	Dy. Minister of Finance
16.	Shri B.S. Murthy	.. .. ..	Dy. Minister of Community Dev. & Coop.

SEVENTEENTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : JANUARY 13 & 14, 1961

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE SEVENTEENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

(i) OUTLAY IN THE THIRD FIVE-YEAR PLAN : CENTRE AND STATES

I. Introduction

Since the completion of the Draft Outline of the Third Five Year Plan in June 1960, the plans and resources of States have been discussed in considerable detail and State Governments are now engaged in presenting their plans with a view to securing the approval of State legislature, arranging for implementation, and drawing up the annual plans for 1961-62. The Planning Commission has also reviewed the proposals of Central Ministries and has recently made a fresh assessment of resources for the country as a whole. In the light of these studies, it is now possible to take an overall view regarding the outlays, allocations and other aspects of the Third Plan. In the nature of things, both the formulation of the Third Plan and the attempt to match resources with needs present great complexity than in the First or even in the Second Plan. Speaking broadly, the general approach in the Third Plan is to take a view of those programmes of development which are essential and have to be undertaken during the period of the Plan, both for speeding up development and meeting minimum social requirements. By speeding up industrial production and careful planning of the pattern of industrial growth as well as the rapid development of agriculture, the Plan seeks to build up the essential productive basis for accelerated development. In each phase, the successful completion of these tasks is the essential condition for the achievement of the economic no less than the social goals of development.

2. In planning for the future, the broad industrial plan, including power, transport, scientific research and technical education, have to be thought of as a continuous and integrated process. Programmes of development in these basic fields should be conceived of and approved as a whole, and extending beyond any given five-year period. The implementation of these programmes has to proceed in a connected manner on the basis of a given order of priorities, and necessarily within the external and internal resources actually available. If the physical possibilities of speeding up of programmes improve—including foreign finance and domestic savings—their phasing can be suitably adjusted. In this context, it is necessary to emphasise that every effort has to be made to initiate and complete within the shortest time, schemes which are vital for development and which may themselves be the means for adding to the resources. The earlier phases of large industrial projects generally take a considerable amount of time, but frequently they may not involve much expenditure. As time is the essence of planning, it is important that speedy action should be taken for the preparation of project reports, acquisition of land and the completion of other preliminary steps. For the same reason, in respect of schemes to be implemented in a later plan, urgent attention should be given to preparatory work. It is desirable that at the end of each plan there should be a number of completed projects ready for implementation in the next plan. Inevitably, continuity and smooth execution of successive plans also implies that each plan will include within it a proportion of projects in different stages of execution.

3. In the scheme of development set out in the Draft Outline the first priority was given naturally to agriculture, and the need for ensuring a fair balance between economic and social development and for taking all the measures necessary for developing the country's human resources was stressed. Without meeting requirements of food, cloth, education, health services, shelter, etc. at levels that may be considered appropriate— it is scarcely possible to realise smooth or efficient economic development. In fields such as agriculture, small industries and social services in which there is scope for attracting a great deal of local community effort and public participation, it is desirable that planning the scale of effort to be undertaken should include a certain margin to be taken up as resources become available, and need not be unduly confined by the precise financial resources which it might be possible to allocate initially at the time of the formulation of a plan. To be in a position to take advantage of opportunities for advancing more rapidly as they arise, the effort should be related to the capacity for implementation and should not fall below the minimum needs of the social and economic situation. It is to be hoped that as the Plan proceeds, in the more significant directions, at any rate, it will be possible to provide the resources needed from year to year through the annual plans.

4. Five year plans and plans for longer periods of 10, 15 or 20 years are necessarily stages in a continuing process of development. A five year period is convenient for identifying the tasks to be carried out, but their significance shall be seen in relation to longer periods which perspective planning has to cover. The annual plan on the other hand is an instrument of actual implementation. To a much greater extent than has been the practice hitherto, it is now essential that each year a comprehensive study should be undertaken of the pattern of long term development in different sectors and for the economy as a whole in relation to current performance. In other words, there has to be a perspective which must be constantly readjusted, defined more closely and translated from stage to stage into definite goals and targets.

II. Considerations bearing on the Final Report on the Third Plan

5. The Draft Outline indicated the directions in which, as a result of more detailed work in the States and further consideration at the Centre, it was hoped to improve and strengthen the proposals for the Third Plan. In relation to the outlays provided for in the Plan, the following are the aspects to which special attention had to be given before the Plan received its final shape.

(1) **Industry.—**When the Draft Outline was prepared, it was recognised that the estimated cost of industrial and mineral development projects which it was essential to take up during the Third Plan in the public sector was somewhat larger than the outlays which were being provided for. It was therefore considered that the selection of projects to be carried out should be linked carefully with detailed work on phasing, the utmost attention being given to the requirements of physical planning, provision of related services, priority for early completion of projects, balance between projects with long gestation periods and those which could be completed over relatively short periods, and other relevant factors. Since a measure of uncertainty in respect of the availability of foreign exchange was inevitable, it was agreed to classify projects under this head as follows :

(a) Projects under execution and carried over from the Second Plan;

(b) New projects for which external credits are already assured, wholly or in part;

(c) New projects which, having reached an advanced stage of preparation, are included in the Plan, but for which foreign credits have not yet been arranged;

(d) Projects on which preparatory work should continue and for which external credits have not yet been arranged, decisions on these being taken in due course; and

(e) Projects of a contingent nature which depended on certain other developments.

(2) **Agriculture.—**The Plan aims at providing sufficient resources for the essential agricultural programmes, so that the physical possibilities which exist in each area for the Third Plan period are fully realised. In addition, it was envisaged that, as the Plan proceeds, in making year to year allocations, supplementary resources could be provided to the extent necessary for specific programmes with a view to ensuring the fulfilment of the targets of additional production.

(3) **Power.—**The allocations for power development indicated in the Draft Outline were to be subject to amendment after the proposals of States had been considered. The Draft Outline also stated that certain proposals of the Atomic Energy Commission would be considered further.

(4) **Transport and Communications.—**The Draft Outline mentioned the possibility of additional provisions being made for roads, shipping and posts and telegraphs.

(5) **Education and Social Services.—**Under the following heads, the Draft Outline gave the assurance that the provisions needed for achieving the targets set out in the Outline would be made if, on further study, it was found that the tentative allocations were likely to be found insufficient :

(i) Primary education for the age group 6-11;

(ii) Technical education;

(iii) Vocational training;

(iv) Scientific research;

(v) Provision of minimum amenities for rural areas, specially adequate supply of drinking water for villages, special attention being given to the more difficult areas;

(vi) Family planning;

(vii) Housing, the outlay proposed in the Outline being possibly revised with a view to providing more fully for housing for the poorer sections of the community; and

(viii) Rehabilitation of displaced persons, the revision being with reference to the actual programmes to be undertaken.

To these should be added the need for adequate provisions for scholarships for bright students and programmes relating to the care of the child, specially for training of workers.

(6) **Village & Small Industries.—**The Draft Outline stated that the provisional distribution of outlays under this head was intended primarily to facilitate more detailed work, but it was recognised that in some fields larger allocations might have to be made.

(7) **Employment.—**The Draft Outline indicated the additional employment likely to be created as being 10.5 million outside agriculture and 3.5 million in agriculture. This fell short by one million of the objective of absorbing the entire addition to the labour force and thus preventing the employment situation from worsening. In other words, the firm employment target of 15 million jobs was the test to be met. In this connection, supplementary projects for the utilisation of rural

manpower were also to be provided for.

6. When the Draft Outline was completed, it was realised that for certain continuing programmes at the Centre, no provision had been made and that these omissions would have to be made good before the final report on the Plan. The programmes in questions were :

(i) Building programmes of the Ministry of Works, Housing & Supply;

(ii) Expansion of printing capacity;

(iii) Statistics and research; and

(iv) Plan publicity.

7. Against the background of the approach to the Third Plan described above and the suggestions contained in the Draft Outline, it is proposed to, review first the present estimates regarding resources and, secondly, the outlays worked out with the States and the requirements at the Centre. These aspects are discussed in Sections III and IV of this paper. Section V sets out, for the consideration of the National Development Council, the lines along which the proposals might be presented in the report on the Third Plan. In making these proposals, the indications given in the Draft Outline as well as the implications of the review of allocations, targets and priorities, agricultural production programmes and employment aspects, on which separate papers are being submitted to the National Development Council, are also being kept in view.

III. Assessment of Resources—Centre and States

8. In the Draft Outline the estimate of resources for the Plan was indicated at Rs. 7,250 crores; Rs. 6,050 crores at the Centre and Rs. 1,200 crores in the States. A fresh view on resources has now to be taken before finalising the outlays to be accepted for the Plan. This is attempted in the paragraphs that follow.

The Centre

9. For the Centre, certain estimates were worked out in May last. Budget estimates for 1960-61 were taken into account at that stage. Actual revenue receipts over the first six months of the fiscal year are now available. These receipts show considerable improvement over those for the corresponding period last year. It is, however, not possible yet to make a firm estimate of the likely aggregate receipts over the entire fiscal year. On the expenditure side, it is virtually impossible at this stage to say how the revised estimates for the current year — or, indeed, the actuals — will turn out. In the main, therefore, the question is one of making a judgement on whether the estimate of resources taken at the time of the preparation of the Draft Outline needs — or will bear - any significant revision. Taking into account all relevant factors (including the estimates of transfers between the Centre and the States), the conclusion that has emerged is that the total of resources for the Centre as given in the Draft Outline can be raised only marginally— say, by Rs. 50—60 crores.

10. The increases and decreases by major heads in the resources of the Centre are indicated in the table below:

TABLE 1.—Estimates of Centre's Resources for the Third Plan

(Rs. crores)

		As in the Draft out-line	As worked out now		Difference between the two
1.	Balance from current revenues at 1960-61 rates of taxation	385	396		+11
2.	Railways' contribution	150	108	*	—42
3.	Surplus of other public enterprises	300	300	**	—
4.	Loans from the public (net)	520	500	***	—20
5.	Small Savings (net)	190	208		+18
6.	Provident Funds (net)	170	170		—
7.	Steel Equalization Fund (net)	160	160	**	—
8.	Balance of miscellaneous capital receipts over non-plan disbursements	325	441		+116
9.	Total for 1 to 8	2200	2283		+83
10.	Deficit Financing	550	524		—26
11.	Additional Taxation	1100	1100		—
12.	External Assistance	2200	2200		
	Total	6050	6107		+57

*This Is on the assumption that the provision required by the Railways for stores purchase will form part of the Plan.

**As mentioned later, these items are subject to revision.

***The assumption here is that the loans to be raised by the States will not exceed Rs. 350 crores.

The States

11. In regard to the States, the five year estimate, on the basis of the discussions held recently,—including the additions suggested in the course of discussions on Plan outlays—comes to Rs. 1,416 crores. Some of the changes in the resources estimates made in the course of the Plan outlay discussions were in terms of totals under certain broad heads; the detailed or yearwise break-up was not available at the time. Subject to this limitation, the broad picture of resources year-by-year is set out in the table below. In regard to additional taxation, for which yearwise phasing was not worked out at the last discussions, an illustrative phasing is indicated :

TABLE 2.—States' Resources for the Third Plan

(Rs. crores)

Items	1961-62	1962-63	1963-64	1964-65	1965-66	Total for 5 years
1. Balance from current revenues at 1960-61 rates of taxation	—5	—3	3	14	25	34
2. Surpluses of public enterprises	19	22	27	36	45	149
3. Loans from the public (net)	72	78	59	75	90	374
4. Small Savings (net)	67	71	75	79	85	377
5. Provident Funds (net)	14	14	16	17	18	79
6. Balance of miscellaneous capital receipt over non-plan disbursements	—46	—43	—41	—36	—67	—233
7. Withdrawal from reserves	4	4	4	5	9	26
8. Total of 1 to 7	125	143	143	190	205	806
9. Additional taxation	40	115	135	150	170	610
Total	**165**	**258**	**278**	**340**	**375**	**1416**

12. It is necessary at this stage to make the following adjustments in the estimates above in respect of :

		(Rs. crores)
(i)	Interest liability on fresh loans from the Centre in the Third Plan period; and	+46
(ii)	Borrowings from the public	—24

In other words, the resources estimate has to be adjusted downwards by Rs. 70 crores for the reasons stated below.

13. At the time of the discussions with the States, precise estimates of interest liability in respect of loans from the Centre could not be made; *ad hoc* figures were taken which added up to Rs. 140 crores. The present estimate of such liabilities is Rs. 186 crores i.e. Rs. 46 crores higher than the figure taken at the last discussions. Credit has been taken for this amount in the Centre's resources. Secondly, it is felt that the target for market loans (net) for the States cannot be allowed to stand at the level of Rs. 374 crores that emerged at the discussions with the States. The total net borrowing of the States (including the borrowing by electricity boards) over the Second Plan period has been about Rs. 260 crores, and the target for the Third Plan can be only moderately higher than this. Further, this year's experience with the State loans has been far from re-assuring in as much as the loans started quoting at a discount soon after they were floated. It is not possible, considering the market situation and the realisations during the Second Plan period, to raise the aggregate figure beyond Rs. 850 crores (net) for the Centre and the States together.* Taking all these facts

*Loan maturities during the Third Plan amount to Rs. 940 crores. The gross market borrowing will thus have to be about Rs. 1,800 crores.

into account, the Planning Commission is of the view that the public loans target for the States could not realistically be put at more than Rs. 350 crores at the outside.

14. After making the two adjustments discussed above, the estimate of States' resources works out at Rs. 1,346 crores—or, say, Rs. 1,350 crores. The following table compares the estimates (i) as worked out for the Draft Outline, (ii) as on the basis of the discussions, and (iii) as taken now.

TABLE 3.—Estimates of States' Resources for the Third Plan

(Comparison between the estimates as worked out earlier and as worked out now).

(Rs. crores)

		(i) As in the Draft Outline	(ii) As on the basis of discu-ssions	(iii) As worked out now	Difference	
					between (iii) and (i)	between (iii) and (ii)
1.	Balance from current revenues at 1960-61 rates of taxation	—35	34	—12	+23	—46
2.	Surpluses of other public enterprises	140	149	149	+9	—
3.	Loans from the public (net)	330	374	350	+20	—24
4.	Small Savings (net)	360	377	377	+17	—
5.	Provident Funds (net)	60	79	79	+19	—
6.	Balance of miscellaneous capital receipts over non-plan disbursements	—205	—233	—233	—28	—
7.	Withdrawals from cash or reserves	—	26	26	+26	—
8.	Total of 1 to 7	650	806	736	+86	—70
9.	Additional Taxation	550	610	610	+60	—
	Total	1200	1416	1346	+146	—70

15. It may be stressed that the target of Rs. 1,350 crores over the Plan period involves a considerable stretching of resources. The following factors need mention in this context :

(i) Only 7 States have made a provision for increase in pay and emoluments of Government employees. Several other States may in fact have to find some resources for this purpose;

(ii) Both the loans and small savings targets are high in relation to the collections in the Second Plan. The figures regarding public loans given in the table above represent, it may be noted, net collections and the gross borrowing will have to be larger by Rs. 90 crores;

(iii) In the Second Plan period the States were able to raise about Rs. 240 crores through additional taxation. The target for the Third Plan, namely, Rs. 610 crores, is over 2½ times the Second Plan achievement, and detailed work on the lines along which this order of taxation is to be realised has yet to be done.

Aggregate resources

16. The table below presents the latest appraisal of the combined resources of the Centre and the States year-by-year.

TABLE 4.—Resources for the Third Plan: Centre and States taken together

(Rs. crores)

	Items	1961-62	1962-63	1963-64	1964-65	1965-66	Total for five years
1.	Balance from current revenues at 1960-61 rates of taxation	34	35	66	104	145	384
2.	Railways' contribution	21	23	20	17	27	108
3.	Surpluses of other public enterprises	34	52	77	121	165	449
4.	Loans from the public (net)	152	138	239	170	151	850
5.	Small Savings (net)	103	110	117	123	132	585
6.	Provident Funds (net)	46	47	50	52	54	249
7.	Steel Equalization Fund (net)	30	31	32	33	34	160
8.	Balance of miscellaneous capital receipts over non-plan disbursements	25	38	44	51	50	208
9.	Total of 1 to 8	445	474	645	671	758	2993
10.	Deficit financing						550
11.	Additional Taxation						1710
12.	External assistance						2200
		Total					7453

17. This means that the estimate of aggregate resources is around Rs. 7,400—7,500 crores. It could, at best, be taken at Rs. 7,500 crores. It is essential to stress that this estimate is, if anything, on the high side for the following reasons :

(i) There is first of all a certain limitation in respect of all estimates which are based on the assumption that production increases steadily at a certain rate from year to year and that these increases reflect themselves more or less proportionately in the estimates of receipts. While this hypothesis need not be questioned so long as one tries to work out only broad estimates, there are, when one comes close to reality shortfalls or lags which can create difficult problems at least for a period.

(ii) The estimate of the surplus from revenues provides for total defence outlay of Rs. 1,700 crores. Recent indications suggest that this figure might have to be revised upwards.

(iii) The estimate of the surpluses of public enterprises and of the steel equalization fund is almost certain to suffer a reduction. The Planning Commission is consulting the Ministries in this regard.

(iv) The estimate of loans of Rs. 850 crores is rather high. The net absorption of loans by the public this year has been a minus of Rs. 4 crores so far. The estimate of Rs. 850 crores contains, in other words, a certain element of deficit financing through contribution to or support of these loans by the Reserve Bank.

(v) The additional taxation target of Rs. 1,710 crores is on the high side. It will call for very special and sustained effort throughout the Plan period both at the Centre and in the States.

(vi) The Plan postulates external assistance of a substantial order, and there is no cushion available by way of foreign exchange reserves to draw upon.

(vii) Prices have risen by 25 per cent over the Second Plan period. Any further significant rise in prices, especially in the prices of essential commodities would be undesirable and has to be guarded against. Deficit financing has, therefore, to be kept down to the minimum and care has to be taken not to exceed the limits set by the growth in the real national product.

18. On a careful consideration of these issues it is suggested that for determining the scale of outlays for the Third Plan in the public sector Rs. 7,500 crores should be adopted as the ceiling.

IV. Outlays under consideration

19. At the meeting of the National Development Council in September 1960, the distribution of outlays between the Centre and the States was modified slightly as in the following table :

TABLE 5.—Distribution of outlay between the Centre and the States

(Rs. crores)

	Draft Outline			NDC September 1960	
	Total	Centre	States and Union Territories	Centre	States and Union Territories
(1)	(2)	(3)	(4)	(5)	(6)
Agriculture and community development	1,025	175	850	125	900
Major and medium irrigation	650	5	645	5	645
Power	925	125	800	125	800
Village and small industries	250	100	150	120	130
Industries and minerals	1,500	1,470	30	1,450	50
Transport and communications	1,450	1,225	225	1,225	225
Social services	1,250	300	950	300	950
Inventories	200	200	—	200	—
Total	**7250**	**3600**	**3650**	**3550**	**3700**

20. Discussions with States proceeded on the basis that out of the total outlay of Rs. 7,250 crores in the public sector, the outlay in the States would be Rs. 3,525 crores and in the Union

Territories Rs. 175 crores. For financing the plans of States, Rs. 1,200 crores were to be found by them and Rs. 2,325 crores were to be provided bv way of Central assistance. In the course of discussions, States agreed to raise Rs. 216 crores more, and the Central assistance proposed also increased by Rs. 106 crores, the total increase in outlay being Rs. 322 crores. For the Union Territories, the outlays agreed to amounted to Rs. 171 crores. Taking States and Union Territories together, the following table compares outlays under different heads proposed before and after the recent discussions :

TABLE 6.—Total Outlays—States, including Union Territories

(Rs. crores)

	Before discussions	After discussions	Difference
Agriculture and community development	900	947	+47
Major and medium irrigation	645	651	+6
Power	800	938	+138
Village and small industries	130	136	+6
Industries and minerals	50	76	+26
Transport and communications	225	271	+46
Social services	950	918	—32
Miscellaneous*	—	81	+81
Total	**3700**	**4018**	**+318**

*The head 'Miscellaneous' includes some expenditure which should be reclassified under other heads and adjusted against them.

21. Four statements in Annexure II of this Paper summarise the information relating to outlays as recently reported by States :

I. Outlays for different States and Union Territories;

II. Outlays under different heads of developments :

II(i)—States and Union Territories

II(ii)—States

II(iii)—Union Territories

22. In proposing allocations under different heads and in arriving at State outlays in discussion with Chief Ministers, as far as possible, the Planning Commission has kept in view the considerations which were generally approved by the National Development Council at its meeting in September 1960.

23. When the Draft Outline was completed in June 1960, large industrial projects and programmes were gone into in some detail. But, the provisions needed at the Centre under other heads, such as agriculture and social services, were left to be considered after the discussions with States. For the Third Plan, outlays have been provided for at the Centre and in the States on the principle that, generally, development schemes executed by State Governments should form

part of the plans of States, and that only certain limited categories of schemes (such as selected training and research programmes, pilot projects, inter-State or regional schemes etc.) should be shown in the plans of Ministries as being "sponsored" by the Centre. In this way, as the Draft Outline stated, it was hoped to broaden further the scope of the plans of States and thereby to facilitate the integrated working of State programmes.

Requirements at the Centre

24. The assessment of requirements at the Centre, which has bees recently made, shows that the provisions at the Centre will fall short under several heads. The position is summarised below:-

(i) Industries & Minerals :

When the Draft Outline was prepared, the cost estimates available showed that projects in categories A, B & C (mentioned in paragraph 5) called for a total investment during the Third Plan of Rs. 1,535 crores. Recently, for some projects revised cost estimates have been furnished. For projects in categories A, B & C, the investment needed now comes to Rs. 1,657 crores, an addition to the original estimates of Rs. 122 crores, which represents an excess of Rs. 207 crores above the provision of Rs. 1,450 crores. The details of the projects are given in Annexure III. Besides the projects in categories A, B & C, there are projects shown under categories D & E, for which the estimated cost comes to about Rs. 185 crores.

(ii) Transport & Communications :

For transport and communications, certain additional allocations are required at the Centre. These include provisions for a diesel loco factory, a railway line for the Haldia port and extension of the Deva-Panvel line, inter-State roads of economic importance, additional provision for ports and harbours (including the barrage at Farraka) and for telecommunication facilities required for the railway electrification programme, etc. amounting in all, to about Rs. 100 crores.

(iii) Power :

For power development, the main addition to outlay is in the States. At the Centre, additional provision might have to be made in case it is decided to instal a nuclear power plant with a capacity of 150 MW for the Delhi-Punjab region. To meet the shortage of power that is anticipated in this area there is need for additional capacity of this order. If undertaken, the nuclear power plant would be in substitution of an additional thermal plant for which so far provision has not been made in the Plan.

(iv) Irrigation :

There is need for raising the allotment for research, investigations etc. from Rs. 5 crores to about Rs. 8 crores.

(v) Agriculture & Community Development :

The outlays proposed by the Ministries of Food & Agriculture and Community Development & Cooperation come to about Rs. 194 crores. The provision earlier indicated was Rs. 125 crores. A view on the provisions which should be made at the Centre will be possible after the completion of the discussions with States regarding agricultural production programmes which are at present in progress.

(vi) Education and Social Services :

In working out the details of programmes for social services at the Centre, care is being taken to avoid over-lapping of provisions in the States. Thus, the provisions required at the Centre are primarily either for schemes which are a Central responsibility or which are complementary to provisions in the States and are therefore equally essential to the fulfilment of the national targets. Several of the programmes in this group are of course closely linked with the economic and industrial development programmes in the Plan. The following table shows under different heads the provisions for social services at the Centre, those made in the plans of States and the requirements indicated by the Ministries :

TABLE 7.—Provisions for Education & Social Services

(Rs. crores)

	Provisions in the Draft Outline for Centre and States, including Union Territories	Provisions in the plans of States & Union Territories	Provisions desire by the Minis-tries for the Centre	Provisions tentatively recommen-ded by the Divisions in Planning Commission for the Centre
(1)	(2)	(3)	(4)	(5)
General education*	370	328	94	79
Technical education	130	70	98	77
Scientific research	50	—	96	82
Health	300	294	65	50
Housing	120	117	40	40
Welfare of backward classes	100	74	47	35
Social Welfare	25	9	24	22
Labour & labour welfare	70	26	44	44
Rehabilitation	25	—	76	50
Local works and public co-operation	60	—	60	60
Total	**1250**	**918**	**644**	**539**

*Includes provisions for cultural programmes.

(vii) Other schemes :

As mentioned earlier, in the main, these are Central schemes for which provisions could not be made in the Draft Outline. It was agreed at the time that the Ministries could work out their proposals on the basis of their tentative figures and these would be examined further.

25. The provisions in respect of outlays required at the Centre might now be summed up as follows :

		(Rs. crores)
1.	Industry & Minerals	
	(a) addtional requirements for projects in categories AB & C	207
	(b) additional requirements for projects in categories D & E	185
2.	Transport & Communications	100
3.	Power (possible addition)	30
4.	Irrigation	3
5.	Agriculture, community development and cooperation	—
6.	Education and social services	239
7.	Other schemes	53
	Total	**817**

V. Financial Limits and Physical Programmes

26. In the third section of this Paper, it has been suggested that in financial terms the total outlay under the Third Plan in the public sector should be limited to about Rs. 7,500 crores. It has also been suggested that the resources of States, although initially estimated at Rs. 1,416 crores, could more appropriately be placed at about Rs. 1,350 crores. In other words, if the increase in the resources of States from Rs. 1,200 crores to Rs. 1,350 crores is allowed for, the amount available for further allotment by the Central Government over and above the earlier estimates will be at the most Rs. 100 crores. It is proposed that of this amount, Rs. 50 crores should be provided by way of assistance to the States, raising the total Central assistance from Rs. 2,325 crores to Rs. 2,375 crores, and the total outlay in the States from Rs. 3,525 crores to Rs. 3,725 crores. The balance of Rs. 50 crores has to be utilised towards making certain unavoidable provisions needed at the Centre for which provisions were left out altogether in the Draft Outline. Along with these, from within the sum of Rs. 50 crores, some provision might also be made for special schemes relating to the development of Calcutta. Thus, under these proposals, the limit for expenditure by the States will be Rs. 3,725 crores and by the Centre Rs. 3,600 crores, the balance of Rs. 175 crores being allocated for Union Territories.

27. On the basis indicated above, according to the present estimates of resources, against the total outlay of Rs. 3,847 crores agreed with the States, there will be provision for actual expenditure by them to the extent of Rs. 3,725 crores. The balance of Rs. 122 crores above this limit of Rs. 3,725 crores has to be distributed under different heads. On a prorata basis, this will represent a reduction of about 3¼ per cent which may be applied uniformly in all States. The following tentative distribution of the outlay of Rs. 3,725 crores and of the balance of Rs. 122 crores is submitted for the consideration of the National Development Council :

TABLE 8.—Distribution of outlays : States

(Rs. crores)

	Distribution after discussions with States	Distribution on the basis of outlay of Rs. 3,725 crores	Balnace
Agriculture and community development	923	923	—
Irrigation	650	650	—
Power	914	870	44
Large-scale industries and minerals	76	76	—
Village and small industries	132	132	—
Transport and communications	237	215	22
Social services	841	824	17
Miscellaneous*	74	35	39
Total	**3847**	**3725**	**122**

*Part of the amount shown under this item could be redistributed under appropriate heads and adjusted against them.

28. For the Union Territories, no change in outlays seems necessary at present. In any event, their plans are entirely financed by the Central Government.

29. At the Centre, it is not proposed to introduce at present, under different heads, larger outlays than those reported to the National Development Council in September 1960 and shown in the table 5, the only exception being the provision of Rs. 50 crores for certain schemes for which no provision was indicated earlier. For industry and minerals, in accordance with the approach outlined in section I of this paper, while the accepted industrial programme in the public sector comprising projects listed in categories A, B & C, and such other projects in categories D & E as might be specially selected, is implemented, a measure of flexibility could be maintained in regard to the financial provisions which might be made from stage to stage. Care would be taken to keep within the available resources and, especially, within the estimates of external assistance required for the Plan indicated in the Draft Outline.

30. In fields such as agriculture, village and small industries, education and social services, many-sided programmes rather than larger individual projects have to be carried out. For these, it should be possible to suggest reasonable financial limits within which the Ministries concerned could formulate concrete programmes of development on the assurance that every effort would be made to provide the resources needed through annual budgets.

31. The distribution of outlays in the public sector resulting from the proposals outlined above is shown in the following table :

TABLE 9.—Distribution of outlays

(Rs. crores)

	As proposed in September, 1960 (NDC)			On the basis of a total outlay of Rs. 7,500 crores			
	Total outlay	Centre	States and Union Terri-tories	Total outlay	Centre	States and Union Terri-tories	States
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Agriculture and community development	1,025	125	900	1,072	125	947	923
Major and medium irrigation	650	5	645	656	5	651	650
Power	925	125	800	1,019	125	894	870
Village and small industries	250	120	130	256	120	136	132
Industries and minerals	1,500	1,450	50	1,526	1,450	76	76
Transport and communications	1,450	1,225	225	1,475	1,225	250	215
Social services	1,250	300	950	1,200	300	900	824
Miscellaneous	—	—	—	96	50	46	35
Inventories	200	200	—	200	200	—	—
Total	**7250**	**3550**	**3700**	**7500**	**3600**	**3900**	**3725**

ANNEXURE I

Outlay for different States and Union Territories

(Rs. crores)

State/Union Territories	Anticipated outlay for the year 1960-61	Second Plan		Third Plan		
		Original provision	Anticipated outlay	Total outlay	Capital outlay	Estimated Foreign Exchange component
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	47.0	175.5	180.6	305.0	215.8	37.1
Assam	15.4	64.4	57.9	120.0	66.5	11.8
Bihar	47.2	190.2	174.6	337.0	214.2	44.5
Gujarat	37.1	151.1	146.5	235.0	164.7	22.4
Kerala	21.0	87.0	77.3	170.0	123.4	18.1
Madhya Pradesh	37.7	191.1	150.0	300.0	188.0	34.9
Madras	38.0	152.3	181.0	291.0	200.0	38.0
Maharashtra	66.8	204.4	214.0	390.0	303.5	40.7
Mysore	38.6	145.1	133.1	250.0	148.5	26.9
Orissa	21.5	100.0	88.2	160.0	105.4	23.6
Punjab	38.4	162.7	152.5	231.4	168.9	30.9
Rajasthan	28.4	105.3	100.6	236.0	148.1	25.5
Uttar Pradesh	55.4	253.0	232.8	497.0	320.5	44.7
West Bengal	44.0	157.7	150.8	250.0	173.0	30.8
Jammu & Kashmir	10.3	33.9	27.3	75.0	53.9	6.2
Andamans	1.3	6.5	4.0	9.8	7.8	2.0
Delhi	12.3	15.0	34.2	81.8	50.0	6.0
Himachal Pradesh	5.3	14.7	16.5	27.9	16.1	0.5
Laccadives	0.3	0.7	0.4	1.0	0.2	—
N.E.F.A.	1.2	8.5	3.7	7.1	3.3	0.2
N.H.T.A.	1.6	5.6	3.8	7.5	5.0	0.1
Manipur	2.4	6.2	6.1	12.8	7.2	—
Pondicherry	1.2	4.8	3.7	6.8	4.1	0.1
Tripura	3.0	9.0	10.0	16.4	0.3	0.1
Total	**575.4**	**2245.7**	**2140.6**	**4018.7**	**2706.4**	**445.1**

ANNEXURE II(i)

Outlay under different heads of development—States and Union Territories

(Rs. crores)

Head of Development	Anticipated outlay for the year 1960-61	Second Plan		Third Plan		
		Original provision	Anticipated outlay	Total outlay	Capital outlay	Estimated Foreign Exchange component
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Agricultural Programmes						
1.1 Agricultural production	29.4	98.6	92.8	182.6	55.2	4.0
1.2 Minor irrigation	23.5	77.4	93.1	170.6	127.8	3.2
1.3 Soil conservation	6.8	20.0	19.9	58.1	28.3	0.5
1.4 Animal husbandry	6.8	32.8	21.6	45.2	11.8	1.2
1.5 Dairying & milk supply	4.6	15.0	10.7	27.6	17.1	4.0
1.6 Forests	5.2	21.9	17.7	43.5	15.9	1.4
1.7 Fisheries	2.3	8.6	7.6	20.8	4.8	4.6
1.8 Warehousing & marketing	1.5	8.4	3.7	8.6	5.3	0.1
Total : 1	**80.1**	**282.7**	**267.1**	**557.0**	**266.2**	**19.0**
2. Cooperation & Community Development						
2.1 Cooperation	9.7	32.7	31.7	68.6	23.1	—
2.2 Community Development	52.9	191.5	203.9	294.9	81.8	—
2.3 Panchayats	4.1	11.0	6.2	26.9	3.8	—
Total : 2	**66.7**	**235.2**	**241.8**	**390.4**	**108.7**	**—**
Total : **Agriculture & community Development**	**146.8**	**517.9**	**508.9**	**947.4**	**374.9**	**19.0**
3. Irrigation and Power						
3.1 Irrigation	82.4	379.7	358.9	588.1	559.0	47.3
3.2 Flood Control	3.0	8.3	10.2	63.2	61.5	2.3
3.3 Power	102.6	419.7	434.8	937.7	886.8	321.7
Total : 3	**188.0**	**807.7**	**803.9**	**1589.0**	**1507.3**	**371.3**
4. Industry and Mining						
4.1 Large & medium industries	4.1	21.8	14.8	66.0	52.8	13.4
4.2 Mining development	1.6	7.6	5.8	10.6	8.2	3.2
4.3 Village & small industries	20.1	108.5	79.0	136.0	67.0	4.0
Total : 4	**25.8**	**137.9**	**99.6**	**212.6**	**128.0**	**20.6**
5. Transport & Communications						
5.1 Roads	40.8	172.7	162.2	230.5	222.0	5.8
5.2 Road transport	3.7	14.1	17.6	26.3	24.0	0.6
5.3 Ports and harbours	1.3	2.5	2.9	5.1	4.6	0.7

ANNEXURE II(i)—*contd.*

(1)	(2)	(3)	(4)	(5)	(6)	(7)
5.4 Inland water and other transport	0.1	1.9	1.3	5.8	5.1	2.3
5.5 Tourism	0.5	1.9	1.3	3.5	3.0	—
Total : 5	**46.4**	**193.1**	**185.3**	**271.2**	**258.7**	**9.4**
6. Social Services						
6.1 General Education	52.9	178.2	178.7	328.4	39.4	0.5
6.2 Technical education	7.9	27.4	20.4	70.3	30.3	6.9
6.3 Health	47.9	179.3	153.9	293.5	155.1	3.9
6.4 Housing	22.3	75.8	75.6	116.8	88.4	—
6.5 Welfare of backward classes	14.5	59.4	51.7	73.5	12.9	0.1
6.6 Social welfare	2.2	8.3	6.9	9.0	1.0	—
6.7 Labour & labour welfare	4.0	14.2	7.9	26.1	8.3	0.8
Total : 6	**151.7**	**542.6**	**495.1**	**917.6**	**335.4**	**12.2**
7. Miscellaneous						
7.1 Statistics	1.4	3.4	7.3	3.7	0.1	0.1
7.2 Information & publicity	1.2	5.4	3.3	6.0	0.4	0.1
7.3 Local bodies	2.3	16.4	5.2	16.6	6.3	—
7.4 State Capital Projects	9.3	14.3	35.7	15.0	14.8	0.2
7.5 Others	2.5	7.0	5.3	39.6	27.3	1.0
Total : 7	**16.7**	**46.5**	**56.8**	**80.9**	**48.9**	**1.4**
Grand Total	**575.4**	**2245.7**	**2149.6**	**4018.7**	**2653.2***	**433.9**

*Excluding figures for Delhi, N.E.F.A., N.H.T.A. and Laccadive.

ANNEXURE II(ii)

Outlay under different heads of development—States

(Rs. crores)

Head of Development	Anticipated outlay for the year 1960-61	Second Plan		Third Plan		
		Original provision	Anticipated outlay	Total outlay	Capital outlay	Estimated Foreign Exchange component
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Agricultural Programmes						
1.1 Agricultural production	28.6	96.2	90.8	177.5	53.8	4.0
1.2 Minor irrigation	23.2	76.2	92.1	168.7	126.3	3.2
1.3 Soil conservation	6.3	18.4	18.5	54.5	27.0	0.5
1.4 Animal husbandry	6.5	31.7	20.8	43.5	11.4	1.2
1.5 Dairying & milk supply	4.6	14.9	10.7	27.3	17.0	4.0
1.6 Forests	4.9	20.1	16.7	40.7	15.5	1.2

ANNEXURE II(ii)—*contd.*

(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.7 Fisheries	2.1	8.2	7.3	19.8	4.5	4.5
1.8 Warehousing & marketing	1.5	7.9	3.6	8.4	5.2	0.1
Total : 1	**77.7**	**273.6**	**260.5**	**540.4**	**260.7**	**18.7**
2. Cooperation & Community Development						
2.1 Cooperation	9.5	31.9	31.0	67.3	22.8	—
2.2 Community Development	51.4	187.2	199.2	289.0	81.4	—
2.3 Panchayats	4.0	11.0	5.9	26.5	3.8	—
Total : 2	**64.9**	**230.1**	**236.1**	**382.8**	**108.0**	**—**
Total : **Agriculture & community Development**	**142.6**	**503.7**	**496.6**	**923.2**	**368.7**	**18.7**
3. Irrigation and Power						
3.1 Irrigation	82.4	379.3	358.7	588.0	558.9	47.3
3.2 Flood Control	2.9	8.3	10.0	61.9	61.4	2.3
3.3 Power	99.1	411.8	424.1	914.2	882.2	321.1
Total : 3	**184.4**	**799.4**	**792.8**	**1564.1**	**1502.5**	**370.7**
4. Industry and Mining						
4.1 Large & medium industries	4.1	21.8	14.8	65.7	52.6	13.4
4.2 Mining development	1.6	7.6	5.8	10.6	8.2	3.2
4.3 Village & small industries	19.3	105.1	76.0	131.7	66.0	4.0
Total : 4	**25.1**	**134.5**	**96.6**	**208.0**	**126.8**	**20.6**
5. Transport & Communications						
5.1 Roads	35.6	153.5	146.0	204.8	202.5	5.6
5.2 Road transport	3.0	13.5	13.9	20.7	21.6	0.6
5.3 Ports and harbours	1.1	1.7	2.5	4.9	4.6	0.7
5.4 Inland water and other transport	—	—	0.2	2.9	2.5	0.7
5.5 Tourism	0.5	1.19	1.2	3.3	2.9	—
Total : 5	**40.2**	**170.6**	**163.8**	**236.6**	**234.1**	**7.6**
6. Social Services						
6.1 General Education	49.5	169.5	171.0	306.9	37.4	0.5
6.2 Technical education	71.8	27.3	20.1	68.8	30.0	6.9
6.3 Health	42.0	169.9	136.6	267.8	151.4	3.9
6.4 Housing	19.0	72.9	69.8	96.3	87.5	—
6.5 Welfare of backward classes	13.9	57.2	49.6	69.6	12.8	0.1
6.6 Social welfare	2.1	8.2	6.8	7.9	1.0	—
6.7 Labour & labour welfare	4.0	14.0	7.8	24.2	8.2	0.8
Total : 6	**138.3**	**519.0**	**461.7**	**841.5**	**328.3**	**12.2**
7. Miscellaneous						
7.1 Statistics	1.4	3.2	7.2	3.4	—	0.1
7.2 Information & publicity	1.1	5.1	3.1	5.4	0.4	0.1
7.3 Local bodies	1.9	16.1	4.5	10.7	5.8	—
7.4 State Capital Projects	9.3	14.3	35.7	15.0	14.8	0.2
7.5 Others	2.5	6.8	5.3	39.5	27.3	1.0
Total : 7	**16.2**	**45.5**	**55.8**	**74.0**	**48.3**	**1.4**
Grand Total	**546.8**	**2172.7**	**2067.3**	**3847.4**	**2608.7**	**431.2**

ANNEXURE II(iii)

Outlay under different heads of development—Union Territories

(Rs. crores)

Head of Development	Anticipated outlay for the year 1960-61	Second Plan		Third Plan		
		Original provision	Anticipated outlay	Total outlay	Capital outlay	Estimated Foreign Exchange component
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Agricultural Programmes						
1.1 Agricultural production	0.8	2.4	2.0	5.1	1.4	—
1.2 Minor irrigation	0.3	1.2	1.0	1.9	1.5	—
1.3 Soil conservation	0.5	1.6	1.4	3.6	1.3	—
1.4 Animal husbandry	0.3	1.1	0.8	1.7	0.4	—
1.5 Dairying & milk supply	—	0.1	—	0.3	0.1	—
1.6 Forests	0.3	1.8	1.0	2.8	0.4	0.2
1.7 Fisheries	0.2	0.4	0.3	1.0	0.3	0.1
1.8 Warehousing & marketing	—	0.5	0.1	0.2	0.1	—
Total : 1	**2.4**	**9.1**	**6.6**	**16.6**	**5.5**	**0.3**
2. Cooperation & Community Development						
2.1 Cooperation	0.2	0.8	0.7	1.3	0.3	—
2.2 Community Development	1.5	4.3	4.7	5.9	0.4	—
2.3 Panchayats	0.1	—	0.3	0.4	—	—
Total : 2	**1.8**	**5.1**	**5.7**	**7.6**	**0.7**	—
Total : **Agriculture & community Development**	**4.2**	**14.2**	**12.3**	**24.2**	**6.2**	**0.3**
3. Irrigation and Power						
3.1 Irrigation	—	0.4	0.2	0.1	0.1	—
3.2 Flood Control	0.1	—	0.2	1.3	0.1	—
3.3 Power	3.5	7.9	10.7	23.5	4.6	0.6
Total : 3	**3.6**	**8.3**	**11.1**	**24.9**	**4.8**	**0.6**
4. Industry and Mining						
4.1 Large & medium industries	—	—	—	0.3	0.2	—
4.2 Mining development	—	—	—	—	—	—
4.3 Village & small industries	0.8	3.4	3.0	4.3	1.0	—
Total : 4	**0.8**	**3.4**	**3.0**	**4.6**	**1.2**	—
5. Transport & Communications						
5.1 Roads	5.2	19.2	16.2	25.7	19.5	0.2
5.2 Road transport	0.7	0.6	3.7	5.6	2.4	—
5.3 Ports and harbours	0.2	0.8	0.4	0.2	—	—
5.4 Inland water and other transport	0.1	1.9	1.1	2.9	2.6	1.6
5.5 Tourism	—	—	0.1	0.2	0.1	—
Total : 5	**6.2**	**22.5**	**21.5**	**34.6**	**24.6**	**1.8**

ANNEXURE II(iii)—*contd.*

(1)	(2)	(3)	(4)	(5)	(6)	(7)
6. Social Services						
6.1 General Education	3.4	8.7	7.7	21.5	2.0	—
6.2 Technical education	0.1	0.1	0.3	1.5	0.3	—
6.3 Health	5.9	9.4	17.3	25.7	3.7	—
6.4 Housing	3.3	2.9	5.8	20.5	0.9	—
6.5 Welfare of backward classes	0.6	2.2	2.1	3.9	0.1	—
6.6 Social welfare	0.1	0.1	0.1	1.1	—	—
6.7 Labour & labour welfare	—	0.2	0.1	1.9	0.1	—
Total : 6	**13.4**	**23.6**	**33.4**	**76.1**	**7.1**	—
7. Miscellaneous						
7.1 Statistics	—	0.2	0.1	0.3	0.1	—
7.2 Information & publicity	0.1	0.3	0.2	0.6	—	—
7.3 Local bodies	0.4	0.3	0.7	5.9	0.5	—
7.4 State Capital Projects	—	—	—	—	—	—
7.5 Others	—	0.2	—	0.1	—	—
Total : 7	**0.5**	**1.0**	**1.0**	**6.9**	**0.6**	—
Grand Total	**28.7**	**73.0**	**82.3**	**171.3**	**44.5***	**2.7***

*Excluding figures for Delhi, N.E.F.A., N.H.T.A. and Laccadive.

ANNEXURE III

Outlays Required at the Centre For Industry and Minerals

Industries

(Rs. crores)

Scheme	Provision in the Draft Outline	Outlay required as estimated now	Difference excess (+) reduction (—)
A. Projects carried over from the Second Plan			
Completion of the three steel plants	45.0	45.0	—
Rourkela Fertiliser Factory	12.0	12.0	—
Heavy Machinery Plant Foundry Forge Shop Mining Machinery Plant	80.0	80.0	—
Heavy Electrical Project, Bhopal	16.0	16.0	—
Drug Projects	30.0	30.0	—
Organic Intermediate Plant	11.0	11.0	—
Expansion of Hindustan Antibiotics	0.5	0.5	—
Trombay Fertilizer Project	22.0	25.0	+3.0
Naharkatiya Fertilizer Project	12.0	12.0	—
Andhra Fertilizer Project	20.0	20.0	—
Total A	**248.5**	**251.5**	**+3.0**

ANNEXURE III—*contd.*

B. New Projects for which external credits are already assured, wholly or in part			
Expansion of Heavy Machinery Plant	14.0	14.0	—
Expansion of Mining Machinery Plant	15.0	15.0	—
Expansion of Foundry Forge	10.0	10.0	—
Second and Third Heavy Electrical Projects	69.0	69.0	—
Heavy Machine Tool Factory	8.0	11.0	+3.0
Precision Instruments Factory	8.0	8.0	—
Opthalmic Glass project	1.5	1.5	—
Raw film project	8.0	8.0	—
Watch factory	2.0	2.0	—
Expansion of Bhilai Steel Project	130.0	138.0	+8.0
Expansion of Durgapur Steel Project	35.0	56.0	+21.0
Expansion of Rourkela Steel Project	80.0	90.0	+10.0
Expansion of Mysore Iron and Steel Works	—	5.0	+5.0
Total B	**380.5**	**427.5**	**+47.0**
C. New Projects included in the Plan for which foreign credits have not yet been arranged			
Bokaro Steel Project	200.0	235.0	+35.0
Alloy and Tool Steel Plant (inclusion of manufacture of grain oriented electrical steel sheets)	35.0	50.0	+15.0
Heavy Structural Works Heavy Plate & Vessel Shops	6.0	6.0	—
Expansion of Hindustan Machine Tools, Bangalore	3.0	3.0	—
Expansion of Heavy Electrical Project, Bhopal	19.0	19.0	—
New fertilizer factories	75.0	75.0	—
Expansion of Hindustan Shipyard at Vizag (Expansion and Subsidy)	10.0	10.0	—
Hindustan Shipyard (Dry Dock)	2.0	2.0	—
Expansion of NEPA, Praga Tools	—	5.0	+5.0
Second Shipyard, Cochin	10.0	10.0	—
Security Paper Mill	4.0	5.5	+1.5
Expansion of Hindustan Cables	0.5	3.5	+3.0
Salt Development	Nil	2.0	+2.0
Townships	30.0	50.0	+20.0
NIDC	10.0	20.0	+10.0
Loans to Institutional Financing Corporations	20.0	20.0	—
Loan assistance to plantation industries National Productivity Council Metric System and Indian Standards Institution	10.0	10.0	—
Expansion and modernisation of Alkaloid Factory	—	0.4	+0.4
Total C	**434.5**	**526.4**	**91.9**
Grand Total	**1063.5**	**1205.4**	**+141.9**

D. Projects on which preparatory work should continue with a view to decisions in due course

	Total cost (Rs. crores)
Industries other than Steel	
Heavy Compressor & Pumps plant	15.0
Basic Refractories	3.0
Ball and Roller bearing factory	8.0
Machine tool expansion Second heavy structural shops Second plate & Vessel shops	15.0
Marine Diesel engine factory	3.0
Total	**44.0**

Minerals

A. Projects under execution and carried over from the Second Plan

(Rs. crores)

Scheme	Provision in Draft Outline	Outlay required as estimated now	Difference excess (+) reduction (—)
Coal			
Coal programmes of the National Coal Development Corporation	8.00	8.00	—
Washeries at Bhojudih and Pathardih	6.00	6.00	—
	14.00	14.00	—
Neiveli Lignite Project			
Thermal Power Plant	6.00	6.00	—
Fertiliser Plant	13.00	13.00	—
Briquetting and Carbonisation plant	12.00	20.00	+8.00
	31.00	39.00	+8.00
Oil			
Oil India (a) Crude pipe line	8.00	8.00	—
(b) Exploration	—	1.40	+1.40
Nunmati Refinery	8.50	8.50	—
Barauni Refinery	23.00	23.00	—
	39.50	40.90	+1.40
Kiriburu Iron Ore Project	6.00	6.00	—
Total A	90.50	99.90	+9.40
B. New Project for which external credit are already assured			
Expansion of Thermal Power Plant at Neiveli	—	15.00	+15.00
Oil exploration	115.00	115.00	—
Bailadila Iron Ore Project	17.00	17.00	—
	132.00	147.00	+15.00
C. New Project included in the Plan for which foreign credits have not yet been arranged			
New programmes of the National Coal Development Corporation	53.00	57.00	+4.00
Maintenance of production of N.C.D.C.	16.00	16.00	—
Central work shops for repairs	8.00	8.00	—
Drills for prospecting	2.00	2.00	—
Advance action for the Fourth Plan	10.00	10.00	—
Central Ropeway Schemes	16.00	16.00	—
Expansion of Singareni Collieries	16.00	20.00	+4.00
Additional washing capacity for coking coal	17.00	17.00	—
	138.00	146.00	+8.00

ANNEXURE III—*contd.*

Neiveli Lignite Project			
Expansion of Neiveli Mine output	3.80	3.80	—
Housing	6.00	6.00	—
	9.80	9.80	—
Oil			
Distribution Programmes	5.00	5.00	—
Other Minerals			
Exploitation of Copper deposits at			
(a) Khetri	10.00	10.00	—
(b) Daribo	2.50	2.50	—
(c) Sikkim	2.50	2.50	—
Exploitation of Panna diamonds	1.00	1.50	+0.50
Beneficiation Programmes for Manganese Ore	5.00	5.00	—
Expansion of Geological Survey of India	10.00	10.00	—
Expansion of Indian Bureau of Mines	5.00	5.00	—
Amjore Pyrites	5.00	5.00	—
Kolar Gold Mining undertaking	*	2.10	+2.10
Huthi Gold Mines	*	0.50	+0.50
	41.00	44.10	+3.10
Grand Total	416.30	451.80	+35.50

*In the Draft Outline the provision for these schemes was included within the lump sum provision of Rs. 30.0 crores indicated for State Industrial and Mineral schemes.

D. Project on which preparatory work should continue with a view to decisions in due course.

	Total cost (Rs. crores)
Products pipeline	37.0
Lubricating oil plant	12.0
Coal washeries for non-coking coal	12.0
Low temperature carbonisation plants	22.0
Neiveli Lignite high temperature Carbonisation plant and connected facilities for pig iron production	25.0**
Total	108.0

**At the time the Draft Outline was prepared the capital cost of the scheme was reckoned at Rs. 14 crores. On the basis of the replies received for the global tender enquiry in regard to the briquetting and carbonisation plant, the capital cost estimate of Rs. 14 crores will require upward revision. A figure of Rs. 25 crores in indicated as a rough estimate.

E. Projects of Contingent nature

	Total cost (Rs. crores)
New refinery for fresh oil findings	15.0*
Crude pipelines	4.0
Indo-Stanvac project	N.A.
Oil India	8.0
Piping of Naharkatiya natural gas	N.A.
Expansion of Kiriburu iron ore project	6.0
Total	33.0

*This figure has been given on the basis of the information furnished by the Department of mines & Fuel.

(ii) ALLOCATIONS, TARGETS AND PRIORITIES IN THE PLANS OF STATES—A PROVISIONAL APPRAISAL

I. General Considerations

The object of this paper is to set out briefly the allocations and targets thrown up by the plans of States and Union Territories following the discussions with the Planning Commission and to suggest for the consideration of the National Development Council and the States the directions in which the present proposals might be further reviewed with a view to increasing the economic and social impact of the Third Plan.

2. One of the main tasks of a Five Year Plan is to ensure that in each field of development the assets created or the services developed yield their fullest benefits as early as possible. In the Third Plan, even more than in the Second, financial allotments which are made from year to year under different heads will be influenced largely by the speed and efficiency of execution and by the measure in which practical results are secured. Although the initial allocations made in their plans provide only a working basis for more detailed annual plans, it is hoped that before States finalise their allocations, they will be able to consider them fully inter se from the various considerations set out in this paper.

3. Priorities for allocations.—For their examination of the draft proposals of States, working groups were instructed to follow the general priorities which the National Development Council had approved in September, 1960. In proposing allocations under different heads, the following were the main considerations stressed :

(a) Provisions needed for the completion of projects under execution at the end of the Second Plan were to be regarded as a prior charge;

(b) Full provision should be made for expenditures needed for securing the benefits of assets and services, created during the First and the Second Plan;

(c) The allocations should reflect adequately the need for speedy increase in agricultural production and expansion of employment opportunities, and for fulfilling, within the limits of physical capacity, the targets for free and universal education for the age-group 6-11 and for providing minimum amenities to rural areas, including water-supply, approach roads and school buildings;

(d) High priority should be given in the plans of States to power development, both to facilitate general industrial development and to meet the requirements of major industrial targets and programmes;

(e) Sectors which have lagged behind relatively during the Second Plan should be identified and, with due regard to their importance for the Third Plan, special attention should be given to them by way of larger allocations;

(f) In considering the distribution of outlays within the State plan, the special requirements of low-income areas which suffer from a great deal of under-employment should receive attention; and

(g) In proposing financial provisions within the plans of States, problems of resource conservation such as anti-waterlogging, drainage, measures for preserving soil fertility, afforestation and exploitation of forests should receive special consideration. Broadly speaking, the considerations mentioned under (a), (b), (c), (d) and (g) above have been kept in view. As the overall provisions are now known, it is suggested that they should be reviewed from the point of view of (e) and (f) above. For less developed areas, such as hill tracts etc., it is proposed that the allocations and programmes should be shown separately and also as part of the State plan.

4. The following table summarises the outlays for States and Union Territories initially proposed by them, those recommended by the working groups, and those reported after discussions with the Planning Commission :

Table 1.—Outlays under the Third Plan

(Rs. crores)

	Outlays intially proposed		Outlays recommended by working groups		Outlays reported after discussions	
	States	States & Union Territories	States	States & Union Territories	States	States & Union Territories
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Agriculture	803	828	590	608	540	557
Cooperation and community development	460	472	399	407	383	390
Irrigation	777	779	640	641	650	651
Power	1159	1189	901	925	914	938
Industries & minerals	162	165	78	78	76	76
Village & small Industries	204	217	130	134	132	136
Transport and communications	380	434	242	273	237	271
Social services	1234	1380	863	962	841	918
Miscellaneous	113	140	69	71	74	81
Total	**5292**	**5604**	**3912**	**4099**	**2847**	**4018**

5. The outlays reported by States need to be checked by them from four aspects, namely, (a) estimates of expenditure on revenue account or "current outlays", (b) expenditure, (c) estimates of foreign exchange expenditure, and (d) expenditure shown under certain "composite" heads.

6. Current outlays.-It was suggested in the Draft Outline that schemes involving subsidies and grants should be examined afresh with a view to determining whether the subsidies could not be withdrawn or reduced without injuring the objects in view, and that new schemes involving subsidies should be avoided as far possible. It has also been suggested that expenditures on staff should be kept to the minimum essential. Broadly, current outlays correspond to expenditures

on revenue account, although the latter also have in them an investment component. The classification of expenditure between capital and revenue in the plans of States and Union Territories needs to be checked with reference to Finance Ministry's instructions of October 13, 1955, an extract from which is given in Annexure I. It is likely that if the outlays are correctly classified and expenditures on staff and subsidies are kept down, the estimates of revenue expenditure will not be as high as those now reported by States and Union Territories. Against a total outlay of Rs. 4,018 crores agreed with them, States and Union Territories have shown Rs. 2,706 crores as expenditure on capital account and Rs. 1,312 crores as expenditure on revenue account. There appears to be considerable scope for reduction in the latter figure. The following Table shows under certain heads the proportions of revenue expenditure to total expenditure during the Second Plan and as now indicated by States and Union Territories for the information of the National Development Council:

(Rs. crores)

	Percentage of revenue expenditure to total expenditure	
	Second Plan	Third Plan
Agriculture Programme	56	52
Community development and cooperation	65	72
Village and small industries	57	51
Education	75	83
Health	59	47
Welfare of backward classes	96	82
Social Services—all heads	63	63

In view of the large provisions made in the Third Plan for committed expenditures, prima facie current outlays should now form a smaller proportion of total outlay than in the Second Plan. Moreover, considering the character of the programmes which are to be implemented in several cases, the proportions shown above may diminish as a result of closer examination.

7. Expenditure on buildings.—Expenditure on buildings and construction constitutes a substantial part of outlay under the Plan. In this connection, the precise figures for the Third Plan are not yet available. The Draft Outline referred to a number of suggestions which had been made to State Governments and Central Ministries for achieving the maximum economy in construction costs. At the time of drawing up a five-year plan, the estimates of construction costs are usually very rough, and it is difficult to pursue suggestions for economy in any detail. It is suggested that the preliminary estimates for the construction element in different programmes and projects which are at present available might be scrutinised at this stage. It is possible that from the resulting economies some of the essential programmes could be provided for more adequately than might have been possible so far.

8. Estimates of foreign exchange requirements.—States and Union Territories have reported a total foreign exchange expenditure of about Rs. 445 crores of which about Rs. 322 crores are on account of power development, Rs. 21 crores for industries, Rs. 19 crores for agriculture and Rs. 12 crores for social services. The Planning Commission's estimate of foreign exchange required for power development during the Third Plan is substantially less, being about Rs. 233 crores. It is suggested that States might review their requirements of foreign exchange expenditure in consultation with the Central Water & Power Commission and the Planning Commission.

Estimates of foreign exchange requirements do not always allow sufficiently for development of indigenous production and for possibilities of import substitution during the Third Plan.

9. Reclassification of expenditure shown under composite heads.—State outlays shown under composite heads such as 'Panchayats', 'Local bodies', and 'Miscellaneous' include provisions which would ordinarily be shown under separate heads. It is suggested that while, for some purposes it is necessary to adopt the composite description, for detailed implementation and assessment of progress and benefits the outlays should be reclassified under their appropriate heads.

II. Agriculture, Cooperation and Community Development

10. The following table sets out the allocations proposed under agricultural programmes, cooperation and community development, along with those initially suggested by States, including Union Territories in their draft plans and the allocations recommended by working groups :

Table 2.—Allocations under Agriculture and Community Development : States and Union Territories

(Rs. crores)

	Outlays initially proposed	Outlays recom-mended by working groups	Outlays reported after discu-ssions
Agricultural Programmes			
Agricultural Production	268.5	202.6	182.6
Minor irrigation	271.1	189.9	170.6
Soil conservation	83.3	60.9	58.1
Animal husbandry	61.3	46.8	45.2
Dairying & milk supply	41.8	32.7	27.6
Forests	57.1	45.1	43.5
Fisheries	27.9	22.4	20.8
Warehousing & marketing	17.3	7.3	8.6
Total	828.3	607.7	557.0
Cooperation & Community Development			
Cooperation	91.8	73.8	68.6
Community development	340.0	297.8	294.9
Panchayats	39.9	35.2	26.9
Total	471.7	406.8	390.4
Total—Agriculture and Community Development	**1300.0**	**1014.5**	**947.4**

11. The allocations under Minor irrigation and Fisheries merit further consideration. The provision of Rs. 171 crores for minor irrigation falls short of the sum of Rs. 200 crores which had been envisaged by the Planning Commission and the Ministry of Food & Agriculture. There is also a shortfall in the outlay on Fisheries, for which the Draft Outline had suggested Rs. 35 crores altogether including both the Centre and the States.

12. In many States, funds have been provided under "Panchayats" without specifying the exact objects to be achieved. As these outlays are on a much larger scale than in the Second Plan and there is considerable possibility of overlapping schemes and financial provisions, it is suggested that the programmes to be financed under this head—as also under the head "Local Bodies"—should be gone into carefully at this stage.

13. Agricultural production programmes are at present being examined carefully in a series of meetings with individual States, and a detailed paper on the subject is to be submitted to the National Development Council. This will set out the various targets for development and production and will also refer to the problems which call for special attention. The following table sets out the targets of additional production which were initially suggested by States in their draft plans and those proposed by Working Groups which considered State plans during September-November, 1960 :

Table 3.—Agricultural production targets

	Unit	Production in 1959-1960	Expected production by 1960-61		Draft Outline targets		Proposed additional production	
			Draft Outline	Present estimates	Total production	Additional production	Initially suggested by States	Suggested by Working Groups
1	2	3	4	5	6	7	8	9
Foodgrains	million tons	71.8	75.0	76.0	100-105	25-30	25.0	21.8
Oilseeds	million tons	63.5	7.2	7.0	9.2-9.5	2-2.3	16.5	18.9
Sugarcane (gur)	million tons	75.8	7.2	7.7	9.0-9.2	1.8-2.0	21.8	26.7
Cotton	million bales	3.8	5.4	5.4	7.2	1.8	15.1	13.3
Jute	million bales	4.5	5.5	5.3	6.5	1.0	14.3	17.3

It will be seen that the shortfall under oilseeds and cotton is very considerable and that there is also a gap between the target in the Draft Outline and the present estimates in regard to the production of foodgrains. Discussions with 10 States have already taken place and in these, besides foodgrains, special attention is being given to oilseeds and cotton and to export crops like cashewnut, spices etc. It is hoped that as a result of these discussions it will be possible to secure a better balanced production plan. The limiting factor in agriculture is not so much the availability of resources as the quality of technical support, improvements in administrative efficiency, and the organisation of cooperatives. Another factor, which will be of special importance for the Third Plan, will be price policy in relation specially to commercial crops.

14. Working groups which examined the initial proposals of States and Union Territories for cooperative development had recommended a total outlay of Rs. 73 crores. This provision has been reduced subsequently to about Rs. 69 crores. The targets recommended by the working groups as compared to those suggested earlier by the Department of Cooperation are set out in the Table below :

Table 4.—Targets for cooperative development

		As suggested by the Department of Cooperation	As suggested by working Groups
1.	Membership of primary societies (millions)	40.00	37.93
2.	Supply of credit (Rs. crores)		
	(a) Short and Medium term	480.00	536.72
	(b) Long-term (outstanding)	115.00	145.60
3.	Village co-operatives :		
	(a) By new organisation	40,000	28,785
	(b) By revitalisation	40,000	52,180
4.	Primary marketing societies (New)	400	599
5.	Godowns of marketing societies	705	992
6.	Rural godowns	10,000	9365
7.	Cold storages	50	33
8.	Cooperative sugar factories	20	26
9.	Other processing units	975	840
10.	Pilot projects for cooperative farming	320	318+1
11.	Primary consumers’ stores (new and revitalisation)	4000	2199
12.	Wholesale stores	100	51

15. The membership of primary societies at the end of the Third Plan is estimated at 37 million. In the resolution of the National Development Council in November, 1958 the goal proposed was universal membership. The target for credit has been raised, but this is dependent upon a number of factors, including the extent to which the Reserve Bank of India will be able to provide support from the long-terms operations fund, and the extent and efficiency of the organisational effort in the States. The agricultural production programme in the Third Plan leans very heavily on the success of the programme for cooperative credit and marketing. The targets for long-term and medium-term credit will be specially difficult to realise. The expectation that cooperative finance may be available for a substantial programme of soil conservation is not likely to be borne out. There is obvious need to strengthen consumers' cooperatives. As regards cooperative farming, the only firm targets which States have at present are those relating to the 3,200 pilot projects which have been recently approved. General programmes for the development of cooperative farming still remain to be worked out. Since the programme of cooperation discussed thus far is still incomplete, it is suggested that State Governments may through adjustments provide additional funds in their plans under the head 'Cooperation' so that programmes for cooperative farming and consumer cooperatives can be carried out on a larger scale.

III. Irrigation and Power

16. The plans of States and Union Territories provide Rs. 651 crores for irrigation, which includes about Rs. 63 crores for flood control. For power development Rs. 938 crores have been provided; out of which Rs. 317 crores are for transmission and distribution and rural electrification. The outlay in the Third Plan on irrigation and flood control schemes carried over from the Second Plan amounts to about Rs. 460 crores, the balance being for new schemes. The total estimated cost of irrigation and flood control projects, which are to be implemented during the Third Plan, amounts to Rs. 1,749 crores, of which new schemes account for Rs. 472 crores.

17. The benefits anticipated from major and medium irrigation schemes in the Third Plan are shown in the following table :

Table 4.—Benefits of major and medium irrigation schemes

('000 acres)

	Potential at outlets	Utilisation
By end of 1955-56	6493	3064
By end of 1959-60	11,749	8512
By end of 1960-61	13,708	10,584
By end of 1965-66	31,635	23,139
Addition in the Second Plan	7215	7520
Addition in the Third Plan	17,927	12,585

During the first two Plans the total area benefiting from major and medium irrigation schemes is expected to be 10.6 million acres against a potential of 13.7 million acres. By the end of the Third Plan, the area benefited is expected to be 23 million acres against a potential of 31.6 million acres. The area benefited by flood control, drainage and anti-waterlogging schemes is estimated at about 8 million acres at the end of the Second Plan and 15 million acres by the end of the Third Plan. The targets for utilising the irrigation potential have been framed cautiously. It is suggested that if adequate measures are taken they should be capable of marked improvement in almost every State.

18. A feature of the plans of States as they have now emerged is the large programme for power development. Details as reported by States are given in Annexure II. As the following table shows, compared to the target of additional installed capacity of 6 million kW suggested in the Draft Outline, States and Union Territories have now proposed additional capacity of 7.7 million, bringing the installed capacity to about 13.5 million kW.:

Installed Capacity (mW)

	1960-61	1965-66
Public	5019	12,807
Self-generating	787	667
Total	5806	13,474

In view of the proposal that outlays under power in the States and Union Territories might be limited to about Rs. 894 crores compared to Rs. 938 crores proposed by them, additional capacity is expected to be about 7 million kW, the total installed capacity at the end of the Third Plan being a little over 12.5 million kW. However, even on the basis of this larger programme, power shortage may be felt in several parts of the country.

19. Estimates given in the Draft Outline of the number of towns and villages expected to be electrified by the end of 1960-61 and 1965-66 are low compared to the following which States have now indicated :

number of towns and villages electrified

	Draft Outline	As reported by States and Union Territories
1960-61	19,000	32,030
1965-66	34,000	54,720

The estimates of States need further scrutiny. What needs to be stressed is that the large programme for the expansion of rural electrification, which is proposed to be undertaken, will yield the benefits expected of it only if intensive attention is now given to the agricultural and industrial programmes for utilising the supplies of power made available to small towns and rural areas and to ensuring that the load factor is raised through effective and co-ordinated development at the district and block level.

IV. Industry and Transport

20. For industrial and mineral development programmes the plans of States and Union Territories allocate Rs. 213 crores, of which Rs. 136 crores are for village and small industries. For transport the total allocation is Rs. 271 crores, of which Rs. 231 crores are for roads and Rs. 26 crores for road transport. The distribution of outlays compared to the initial proposals and the suggestions made by the working groups is shown in the following table :

Table 5.—Allocations for industry and transport : States and Union Territories

(Rs. crores)

	Outlays initially proposed	Outlays recom-mended by working groups	Outlays reported after discu-ssions
Industry & Mining			
Large and medium industries	142.1	69.2	66.0
Mineral development	22.9	9.3	10.6
Village & small industries	216.7	133.9	136.0
Total	381.7	212.4	212.6

Transport & Communications			
Roads	350.5	234.6	230.5
Road transport	52.9	27.3	26.3
Ports and harbours	13.2	3.5	5.1
Inland water transport and other transport	9.5	4.9	5.8
Tourism	8.1	3.0	3.5
Total	434.2	273.3	271.2

Within the expenditure limit of Rs. 3,725 crores for States a reduction of Rs. 22 crores has been suggested under transport. The outlays proposed by them for large-scale industries and for village and small industries have been provisionally retained.

21. For village and small industries, provisions in the States and Union Territories add up to Rs. 136 crores. The thinking at the Centre has been in terms of a total provision of Rs. 123 crores. The break-up of these amounts between industries is as follows :

(Rs. crores)

	States and Union Territories	Centre	Total
Small scale industries	61.3	22.0	83.3
Industrial estates	29.0	—	29.0
Village industries		20.0	
Khadi (traditional)	3.0	32.0	92.0
Khadi (Ambar)		37.0	
Powerlooms	—	4.0	4.0
Handlooms	29.0	3.0	32.0
Handicrafts	5.9	2.5	8.4
Sericulture	5.4	1.5	6.9
Coir	2.3	0.7	3.0
	135.9	122.7	258.6

It was envisaged in the Draft Outline that the plans for village and small industries would be worked out in sufficient detail with reference to different industries. It would be correct to say that much work remains to be done before programmes can be implemented in a precise way in different areas. Financial provisions for village and small industries are not intended to be rigid and can be modified. It is envisaged that larger funds should be made available, if necessary, as the programmes go forward. Attention should, however, be drawn to the relatively small provision at present made for village industries. Although to an extent rural areas will benefit from other provisions, States may be requested to give further consideration to this aspect of the small industry programme.

22. The provision for roads shown at Rs. 250 crores in the Draft Outline was generally felt to be insufficient, having regard to the expenditure of Rs. 163 crores in the second plan. In the plans of States and Union Territories a provision of Rs. 230.5 crores has been made and planning could proceed in these terms. However, in view of the limit on expenditure, some reduction will be necessary both under this and other transport schemes. At the Centre, provision is being made for national highways and inter-State roads of economic importance, but the outlays on these have yet to be finally determined.

V. Social Services

23. On the basis of a total outlay of Rs. 7,500 crores, the provision for social services is likely to be Rs. 900 crores in the States and Union Territories and Rs. 300 crores at the Centre, making a total of Rs. 1,200 crores. This falls short by Rs. 50 crores of the outlays of Rs. 1,250 crores indicated in the Draft Outline. In view of the expenditure limits proposed, a reduction of about Rs. 17 to 18 crores in the present allocations for social services in the States would appear to be necessary. The actual reduction may be larger since some of the expenditure now classified as 'miscellaneous' will have to be adjusted within the allotments made for social services.

24. The following are the allocations initially proposed for social services by States and Union Territories, those recommended by working groups and reported after discussions with the Planning Commission :

Table 6.—Allocations for social services

(Rs. crores)

	Outlays proposed in draft plans	Outlays recom-mended by working groups	Outlays reported after discussions
General education (including cultural programmes)	427.3	346.1	328.4
Technical education	124.4	73.5	70.3
Health	430.3	315.2	293.5
Housing	202.5	128.9	116.8
Welfare of backward classes	120.5	63.5	73.5
Social welfare	25.6	8.9	9.0
Labour and labour welfare	49.3	26.0	26.1
Total	1379.9	962.1	917.6

25. General and Technical Education.—Outlays for different parts of the education programme proposed by States and Union Territories are as follows :

(Rs. crores)

	Anticipated outlay in the Second Plan	Proposed outlays
Elementary education	88	199
Secondary education	47	75
University education	23	37
Other educational programmes	16	15
Cultural programmes	1	3
Technical education	27	69
Total	202	398

26. It was envisaged in the Draft Outline that the percentage of children attending school at the end of the Third Plan would be 80 in the age-group 6-11, 30 in the age-group 11-14, and 15 in the age-group 14-17. From returns received from States, the percentage of children at school is likely to be respectively 76.6, 31 and 16. The main difference is in respect of the age-group 6-11. Annexure III of this paper sets out the targets reported by different States in respect of the various age-groups. The targets proposed by States appear to be based generally on their own assessment of physical capacity, specially in respect of the age-group 6-11. Since free and universal education for this group is one of the major national objectives in the Third Plan, it would be desirable for States like Bihar, Jammu & Kashmir, Madhya Pradesh, Rajasthan and U.P. to endeavour to improve upon their present targets. As the Plan proceeds, every effort should be made to find the resources needed for this programme in these as well as other States. However, even as the programme stands, its fulfilment calls for a very big effort. In terms of numbers enrolled, there will be an addition of about 14 million in the primary classes, 3.9 million in the middle classes, 1.8 million in other secondary classes and 400,000 in university classes, in addition to technical and specialised courses. In view of the large lag in the education of girls, it may be mentioned that in the primary and middle classes, while the number of boys is expected to increase by 37 per cent, from 27 million to 37 million, the number of girls is to increase by 73 per cent, from 12.4 to 21.4 million. At the secondary stage it is expected that over 9,100 schools out of a total of 19,500 will be able to offer science as an elective subject compared to about 2,000 schools at present. The Draft Outline envisaged that, of the increase in enrolment at the college and university stage of 400,000, 250,000 would be in science classes. From estimates now available, this increase is likely to be about 212,000.

27. The plans of States and Union Territories and the proposals under consideration at the Centre envisage a total allotment of Rs. 25 crores for scholarships and stipends during the Third Plan. This is in addition to about Rs. 2.2 crores per year which will continue to be provided for scheduled castes, scheduled tribes and other backward classes on the same basis as in the Second Plan. Certain normal provisions by State Governments and by individual institutions, for which information is not available, may also be expected to continue. The distribution of the fresh provision of Rs. 25 crores for scholarships and stipends is as follows :

(Rs. crores)

	States	Centre	Total
Elementary education	1.50	—	1.50
Secondary education	3.00	—	3.00
University education	2.00	6.00	8.00
Technical education	3.11	9.00	12.11
Others	0.50	0.30	0.80
Total	10.11	15.30	25.41

Provisions relating to scholarships may be reviewed from the following aspects :

(1) There should be adequate funds for scholarships for bright students who are in need of assistance. These are needed not only at the post-matriculation stage, but also in the secondary classes.

(2) At present programmes relating to the welfare of backward classes do not appear to provide for increase in scholarships and stipends for this section of the population.

(3) Larger provision for scholarships for technical and vocational education would be desirable in the plans of States and Union Territories.

(4) Scholarship schemes should be devised so as to enable bright students to complete their education, and ordinarily the assistance should not be broken off at an intermediate stage.

(5) For some categories of personnel who are required in large numbers such as teachers, nurses, overseers, agricultural and other extension workers, etc. larger numbers of students might be specially selected at the post-matriculation stage and assisted with scholarships and stipends through the entire period of training on the understanding that they will be given employment and that they will be under obligation to serve for given periods.

28. In the education programme in the States, it is necessary to make adequate provision for the States' share of the cost on account of the expansion of Cadet Corps during the Third Plan. By the end of the Second Plan, the senior division NCC and NCC Rifles will have covered 50 per cent of the university population and the junior division NCC and ACC will have covered 40 per cent of high school students. For the Third Plan, the Ministry of Defence have drawn up proposals for extending the benefits of NCC training to all eligible students in universities and high schools. The strength of the senior division NCC and NCC Rifles is proposed to be raised from 3.63 lakhs to about 7 lakhs, with the NCC accounting for one-third of the total strength. The Ministry of Defence have also a large programme for the expansion of the junior division NCC and ACC, for which the number of eligible students is estimated at about 27 lakhs, but details of this programme have to be determined in consultation with the States. From the information available, it appears that at present the plans of States do not make adequate provision for the NCC and the ACC expansion programmes and, as in the Second Plan, additional resources will be required. On this subject it is proposed to address State Governments in the near future.

29. In their plans. State Governments have endeavoured to provide adequately for the expansion of technical education. As against the target of 5,000 additional seats in degree courses mentioned in the Draft Outline, the number of additional seats proposed in the plans of States is 5,169. The corresponding figures for additional seats in courses at the diploma level are 10,000 and 12,649 respectively. (In addition, there are the expansion programmes for technical education to be undertaken at the Centre through central institutions, specialised courses and training facilities provided part-time and through correspondence courses). The following table shows the total estimated increase in training facilities for technical personnel during the Third Plan and the increase realised during the Second Plan :

Table 7.—Expansion of technical education

	Degree courses			Diploma courses		
	Institutions	Intake	Outturn	Institutions	Intake	Outturn
1955-56	64	5937	4017	102	9397	4072
1960-61	97	13,531	8300	208	26,069	12,850
1965-66	117	19,400	12,000	273	39,918	19,000

30. Health Programmes.—The provision for health programmes indicated in the Draft Outline was Rs. 300 crores, as compared to Rs. 225 crores in the Second Plan. The outlay proposed in the plans of States and Union Territories is Rs. 293.5 crores, to which should be added a possible outlay of about Rs. 50 crores at the Centre, making a total of Rs. 344 crores.

As compared to the provisions in the Draft Outline, for different parts of the health programme, the distribution is expected to be as follows :

Table 8.—Health programmes

(Rs. crores)

	Draft Outline	Likely provisions in the Third Plan
Urban water supply & sanitation }	80	88.5
Rural water supply }		12.5
Primary health units, hospitals and dispensaries	50	62.6
Control of communicable diseases	92	69.2
Education, training and research	38	57.4
Family planning	25	30.1
Other schemes	15	23.4
Total	300	343.7 or 344

The allocations proposed by States, which reflect their general priorities need to be considered further under three heads. The provisions for rural water supply are confined to spill-over expenditures and the present health programme fail to provide any funds for new rural water supply schemes in difficult areas. This is a serious gap in the plans as they have emerged. It is suggested that before they finalise their allocations States and Union Territories should make good this deficiency to the extent possible. Secondly, the provision for control of communicable diseases has been drastically reduced. It is suggested that, in view of their importance, the physical content of programmes relating to malaria, filaria, tuberculosis, smallpox, leprosy etc. should be kept intact, and efforts should be made both by the Central Government and the States to find the resources needed through their annual plans. Although they might take perhaps a little longer to execute, their integrated character should not be disturbed. In the third place, while the provision of Rs. 30 crores for family planning may not be inappropriate to the present level of organisation, the programme is of such vital importance that the best course would be to adopt the proposals of the Panel on Health set up by the Planning Commission. These envisage a possible outlay of about Rs. 50 crores for family planning. The resources needed should be found from year to year as the Plan proceeds and the organisation is able to use larger funds.

31. Housing.—The plans of State provide about Rs. 967 crores for housing and allied schemes. The Union Territories have a provision of about Rs. 20.5 crores, of which Rs. 15.5 crores are for land acquisition and slum clearance in Delhi. The outlay at the Centre has not yet been finally determined but, on the assumption that the total outlay for States and Centre together might be of

the order of Rs. 157 crores as compared to Rs. 120 crores mentioned in the Draft Outline, the following distribution has been worked out :

Table 9.—Distribution of outlays under Housing

(Rs. crores)

	Provision in the Draft Outline	Tentative distribution
Subsidised industrial housing	32	31.8
Low income housing	30	36.0
Slum clearance	18	28.3
Land acquisitions	20	26.9
Village housing	15	14.3
Plantation Labour housing	1	0.7
Other State schemes	—	10.6
Town planning	—	3.7
Dock labour housing	2	2.0
Middle income housing in the Union Territories	1.5	1.5
Construction of night shelters	0.5	1.0
Provision for experiments, research, statistics, etc.	—	0.5
Total	120	157.3

For middle income housing and construction of houses for renting to employees, State Governments are at present receiving loans amounting to about Rs. 4 crores per annum from the Life Insurance Corporation. This scheme is expected to continue in the Third Plan and represents an addition to the provision contained in the plans of States.

The Draft Outline had drawn attention to the need for providing more fully for housing for the poorer sections. It is suggested that a part of the outlay now proposed for low income housing could perhaps be diverted for this purpose. If Housing Finance Corporations are constituted in the near future, the provisions made under the Plan can be used to meet the requirements of non-loan finance.

32. Welfare of backward classes.-The Draft Outline envisaged a total provision for the welfare of backward classes of Rs. 100 crores. The plans of States provide for an outlay of about Rs. 74 crores, of which Rs. 38 crores are likely to be for scheduled tribes, Rs. 29 crores for scheduled castes and Rs. 7 crores for denotified tribes and other backward classes. The provisions at the Centre have not yet been finally determined. These will be for the following programmes :

(a) welfare of scheduled tribes : tribal development blocks, shifting cultivation, forest cooperatives and multi-purpose cooperative societies;

(b) welfare of scheduled castes : housing of scheduled castes families engaged in sweeping and scavenging, provision of housing for members of scheduled castes engaged in unclean occupations, and improvement of working conditions of sweepers and scavengers;

(c) welfare schemes for denotified tribes; and

(d) selected programmes for training and research.

33. Vocational training.—Programmes for the training of craftsmen are being implemented as a Centrally sponsored programme for which adequate provisions are being made both in the States and at the Centre. During the Second Plan, the intake capacity of centres for the training of craftsmen increased from 10,500 to 42,100. In the Third Plan this capacity is to be increased to about 100,000. The total output of trainees in the Third Plan is expected to be about 200,000 compared to 23,000 in the First Plan and 71,000 in the Second Plan. The number of training centres has risen from 59 at the end of the First Plan to 158 at the end of Second Plan, and is expected to increase to 308 by the end of the Third Plan.

34. Social welfare.—Provisions for social welfare relate at present to welfare extension projects, programmes of voluntary welfare organisations, socio-economic programmes and other schemes of the Central and State Social Welfare Boards, and schemes relating to social defence and social and moral hygiene. It is proposed that in the Third Plan special attention should be given to programmes relating to child welfare. Specific schemes in this connection are under consideration. For social welfare schemes the plans of States and Union Territories have indicated an outlay of Rs. 9 crores. The total provision mentioned in the Draft Outline is Rs. 25 crores.

ANNEXURE I

Classification of Capital and Revenue expenditure

(Extract from Ministry of Finance letter No. F. 1(104)-BII/55, dated the 13th October, 1955 to Finance Secretaries of all Part A & B States except Jammu & Kashmir.)

The suggestions made in the following paragraphs, with which the Comptroller and Auditor General is generally in agreement, are intended to serve as a guide to the State Governments and it is suggested that if the State Governments agree they may be given effect to in their budget for the year 1956-57 onwards :

(i) The general definition of capital expenditure, namely, expenditure which is financed with the object of either increasing concrete assets of a material and permanent character or of reducing recurring liabilities and other considerations set out in Article 34 et seq of Audit Code may remain unchanged.

Major Head 19, 43A, 50A, 50B, 53, etc.

(ii) Capital expenditure which is at present being charged to certain Capital heads within the Revenue Account (a few examples given above) may be transferred to the corresponding Capital heads outside the Revenue Account. Expenditure financed from grants or subventions from outside sources which are earmarked for special purposes and which are treated as accretions to the State Revenue, such as Central Road Fund allocations, would, however, remain within the Revenue Account.

(iii) In the case of new works, which satisfy the definition of Capital expenditure and whose cost, individually, exceeds Rs. 20,000 or works of a similar character where the individual cost is below this limit but they form part of a scheme having a continuity of purpose, time and space and the cost of the scheme as a whole exceeds Rs. 1 lakh may be charged to Capital. Thus a scheme costing more than one lakh, say for the construction of primary schools, rural dispensaries, tube-wells etc. in the State could be debited to Capital even though the cost of the individual school, dispensary etc. would be less than Rs. 20,000. These criteria should be applied not only to the works in the Civil Works Grants executed by the PWD but also to the works executed departmentally and included in other Grants. Capital works financed by specific grants from outside sources would, however, remain a revenue charge.

(iv) Expenditure on roads which falls within the definition of 'original' works the cost of which exceeds Rs. 20,000 or in the case of a scheme, Rs. one lakh, should be debited to Capital but works which are financed from subventions or other outside sources should continue to be debited to Revenue.

(v) Temporary or kutcha construction works which do not satisfy the definition of capital expenditure may be charged to Capital if the works are so urgent and vital that they cannot be avoided, postponed or distributed over a series of years and the amount is too great to be met from current revenue provided adequate arrangements are made to write off the capital expenditure to Revenue over a series of years.

(vi) In the case of expenditure on irrigation works such as flood protection works, tanks, etc. which satisfy the definition of capital expenditure and are at present booked under the head "18-Other Revenue Expenditure financed from Ordinary Revenues" could be transferred to a new Capital major head outside the Revenue Account provided the cost of each work or scheme exceeds Rs. 20,000 or one lakh respectively.

ANNEXURE - II

Programme For Power Development

State/Union Territory	Installed generating capacity (mW) 1960-61 Public & private	1960-61 Self-generating	1960-61 Total	1965-66 Public & private	1965-66 Self-generating	1965-66 Total	Towns and villages electrified (Number) 1960-61	Towns and villages electrified (Number) 1965-66
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra Pradesh	228.00	44.92	272.92	669.0	39.84	708.84	2800	3725
Assam	29.70	—	29.70	154.13	—	154.13	56	116
Bihar	349.55	271.00	620.55	1307.50	181.00	1448.50	2118	3461
Gujarat	316.20	N.A.	316.20	601.10	N.A.	601.10	681	1700
Jammu & Kashmir	25.29	—	25.29	41.73	—	41.73	N.A.	400
Kerala	167.20	1.70	168.90	551.20	1.70	552.90	1600	2600
Madhya Pradesh	225.00	75.00	300.00	720.00	69.00	789.00	604	1219
Madras	571.00	—	571.00	1441.00*	—	1441.00*	10,151	18,000
Maharashtra	756.00	N.A.	756.00	1621.00	N.A.	1621.00	650	1700
Mysore	210.70	—	210.70	877.50	—	877.50	3960	4760
Orissa	208.00	93.40	301.40	557.50	93.40	650.90	N.A.	N.A.
Punjab	652.00	—	652.00	1229.00	—	1229.00	3000	4600
Rajasthan	108.60	—	108.60	344.60	—	344.60	110	444
Uttar Pradesh	321.44	116.86	438.30	1084.83	96.11	1180.94	4928	9928
West Bengal	**766.00	154.00	920.00	1386.00**	154.00	1540.00	631	691
Total	4934.68	756.88	5691.56	12,568.09	635.05	13,221.14	31,289	53,344
Delhi	76.30	29.40	105.70	206.30	29.40	235.70	N.A.	N.A.
Pondicherry	1.00	—	1.00	1.00	—	1.00	157	177
Himachal Pradesh	—	0.49	0.49	—	3.04	3.04	530	1030
Tripura	1.42	—	1.42	2.35	—	2.35	6	14
Manipur	1.48	—	1.48	4.22	—	4.22	35	135
Andaman & Nicobar	1.10	—	1.10	1.76	—	1.76	13	20
Laccadive Minicoy, N.E.F.A., N.H.T.A.	3.00	—	3.00	5.00	—	5.00	—	—
Total	84.30	29.89	114.19	220.63	32.44	253.07	741	1376
GRAND TOTAL	5018.98	786.77	5805.75	12,806.72	667.49	13,474.21	32,030	54,720

*Includes 400mW at Neyveli.
**Includes 150mW of Durgapur Station (DVC.)

ANNEXURE III

Percentage of children attending School at the end of the Third Plan

State/Union Territory	Percentage of children attending school in 1965-66		
	Age group 6-11	Age group 11-14	Age group 14-17
Andhra Pradesh	81.7	21.1	9.3
Assam	83.7	39.5	19.6
Bihar	75.0	27.6	17.9
Gujarat	83.0	50.7	30.4
Jammu & Kashmir	58.7	33.3	25.9
Kerala	104.5	60.1	28.5
Madhya Pradesh	69.4	22.0	8.3
Madras	89.6	33.5	16.1
Maharashtra	80.0	40.3	15.7
Mysore	85.4	37.2	12.9
Orissa	68.7	13.9	6.9
Punjab	76.4	34.6	17.9
Rajasthan	65.0	24.5	11.5
Uttar Pradesh	61.2	20.4	15.2
West Bengal	87.7	33.4	23.1
Andaman & Nicobar Islands	90.0	53.3	10.0
Delhi	108.2	72.8	66.7
Himachal Pradesh	83.6	45.7	10.7
Laccadive & Minicoy Islands	66.7	66.6	—
Manipur	80.2	34.4	10.6
N.E.F.A.	28.6	3.0	0.8
N.H.T.A.	50.0	—	—
Pondicherry	98.9	52.8	20.0
Tripura	109.2	54.0	26.4
ALL INDIA	76.6	31.0	16.5

(iii) COOPERATIVE DEVELOPMENT DURING THE THIRD FIVE-YEAR PLAN

In the draft Plan, a total outlay of Rs. 400 crores has been proposed for Community Development and Cooperation and it was indicated that the provision for Cooperative sector should be Rs. 80 crores. The State Governments and Union Territories had initially proposed an outlay of Rs. 103.5 crores as against which the Working Group which considered the Plans recommended a total outlay of Rs. 72.94 crores. In addition to this provision will have to be made for cooperative farming societies outside the pilot project areas and also for cooperative sugar factories in excess of 24 already agreed to. The outlays as reported by the State Governments for the recent review of agricultural production programmes are of the order of Rs. 71.5 crores for cooperative development. Important features of the programme are indicated below.

Agricultural Credit

About 29,000 new service cooperatives will be organised during the Third Plan by the end of which period, all villages in the country will have been served by cooperatives. A little over 52,000 existing societies will be taken up for revitalisation and reorganization as service cooperatives. The target of membership for the Third Plan is 37 millions. This target is considered reasonable in view of the fact that membership at the end of the Second Plan is likely to be of the order of 17-18 millions. About 70% of the agricultural population will be covered by the cooperatives at the end of the Third Plan. The target of short-term and medium-term credit is of the order of Rs. 500 crores. With a view to reaching this target Apex Banks, Central Banks and primary societies will have to find a large amount of money by way of share capital, reserves, deposits and other funds. To the extent that the structure is unable to find the required resources, the target for short and medium term credit may not be achieved. The target of long-term credit proposed (outstandings) is Rs. 150 crores.

The agricultural production programme in the Third Plan leans very heavily on the success of the programme of Cooperative credit and marketing. Out of a total of Rs. 440 crores worth of fertilisers, manures, improved seeds, improved implements, insecticides, etc. likely to be used in the last year of the Third Plan, a substantial proportion is likely to be provided by the cooperative credit structure. Similarly, a part of the finance required for soil conservation and minor irrigation programmes would be forthcoming from the land mortgage banks in the shape of long-term loans.

Agricultural Marketing

There will be nearly 600 new primary marketing societies covering all the important mandi centres. These will be provided with adequate facilities for storage both at the headquarters and at selected places in the rural areas. Whereever necessary, the societies organized in the Second Plan will be strengthened by the provision of additional share capital and additional storage space.

Processing

Against a target of 20 cooperative sugar factories originally envisaged, provision has been made for 24 units. In view of the increase in the target for sugar production, a few more factories are likely to be approved in the Cooperative sector. Additional provision for this will be required.

In regard to other processing units, about 840 of them including cotton gins, rice-hullers, oil crushing units and decorticators are expected to come up.

Cooperative Marketing

In accordance with the decisions taken by Government on the Report of the Working Group on Cooperative Farming, provision has been made for organising pilot projects at the rate of one per district. For societies outside pilot projects, the State Governments were requested to prepare realistic estimates and send them for approval. Additional funds for them will be required.

Necessary provision has also been made for strengthening the departmental staff and supervisory machinery both under cooperative institutions and under departments and also for assisting about 2,200 consumers' cooperatives.

Value of fertilizers, manures and improved seeds to be used in the last year of the Third Plan period

(Rs. in crores)

	State	Ammo-nium sulphate	Super Phos-phate	Urban compost	Green manure seed	Improved seeds	Total	Target for short term loans
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Andhra Pradesh	26.60	7.70	0.16	4.50	12.78	51.74	50.00
2.	Assam	2.28	0.55	0.01	1.00	3.00	6.84	7.00
3.	Bihar	15.20	2.64	0.88	3.00	13.80	35.52	7.00
4.	Gujarat	11.40	—	0.01	0.10	3.18	14.69	40.00
5.	Maharashtra	19.00	8.42	0.23	1.00	14.60	43.25	80.00
6.	Kerala	1.44	0.70	0.03	1.05	1.20	4.42	12.00
7.	Madhya Pradesh	7.60	0.88	0.18	2.20	15.20	26.06	28.00
8.	Madras	22.04	7.04	0.30	6.00	12.56	47.94	35.00
9.	Mysore	11.40	7.04	0.22	0.75	8.88	28.29	30.00
10.	Orissa	7.60	1.10	1.00	7.00	8.00	24.70	12.00
11.	Punjab	10.64	0.33	0.40	10.35	9.00	30.72	24.00
12.	Rajasthan	3.80	0.66	0.05	0.63	16.90	22.04	14.00
13.	Uttar Pradesh	7.52	1.06	0.37	9.00	29.30	47.25	40.00
14.	West Bengal	19.00	5.50	0.24	6.00	6.00	36.74	12.00
15.	Jammu & Kashmir	0.42	—	0.10	0.01	0.35	0.88	3.33
16.	Delhi	0.04	—	0.02	0.03	Neg.*	0.09	
17.	H. Pradesh	0.08	0.02	0.03	0.08	0.40	0.61	
18.	Manipur	—	—	—	Neg.*	0.14	0.14	2.68
19.	Tripura	—	—	—	0.03	0.04	0.08	
20.	N.E.F.A.	—	—	—	—	—	—	—
21.	N.H.T.A.	—	—	—	—	—	—	
22.	Andaman & Nicobar Islands	—	—	—	—	—	—	
23.	Laccadive & Minicoy Islands	—	—	—	—	—	—	
24.	Pondicherry	—	—	—	—	—	—	
	Total India	166.06	43.64	4.23	52.73	155.34	422.00	397.01

*Neg.=Negligible

Supply of long-term loans from Cooperative sector for Soil Conservation and Minor Irrigation.

In the recent discussions on Agricultural Production programmes, it was decided that in the following States a part of the finances required for soil conservation and minor irrigation programmes should be forthcoming from the land mortgage banks in the shape of long term loans. The amount required from cooperative sector are also given below :

(Rs. in lakhs)

State	For Soil Conservation	For Minor Irrigation
1. Gujarat	—	15.00
2. Maharashtra	—	16.00
3. Madhya Pradesh	1.00	2.00
4. Mysore	—	5.00

Primary Agricultural Credit Societies

MEMBERSHIP & CREDIT (Targets)

Sl. No.	Name of the State	Second Five Year Plan — At the beginning (1956-57)			Second Five Year Plan — At the end (1960-61)				Third Five Year Plan — 1965-66 (Targets)				
		Membership (lakhs)	Short & Medium term (Issued)	Long term outstanding	Membership (lakhs)	1% of rural population	S.T. & M.T. Issued	Long term outstanding	Membership (lakhs)	1% of rural population	S.T. & M.T. Issued	Long term outstanding	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
				(in crores)				(in crores)				(in crores)	
1.	Andhra Pradesh	8.70	8.64	3.86	20.00	40%	24.00	6.90	40.00	67%	60.00	24.19	
2.	Assam	0.75	0.76	0.02	2.65	20%	1.00	0.17	8.00	50%	7.50	2.50	
3.	Bihar	4.48	0.69	—	7.50	*10%	1.50	0.20	20.00	*23%	15.00	4.00	
4.	Gujarat				8.00	30%	21.00	5.50	17.00	60%	50.00	20.00	
5.	Maharashtra	12.38	21.06	4.48	19.00	*38%	39.30	8.15	40.00	*80%	92.00	50.00	
6.	Jammu & Kashmir	1.83	0.57	—	2.50	50%	1.35	—	4.00	66½%	4.00	—	
7.	Kerala	4.56	1.53	0.42	8.00	*44%	4.00	1.10	16.00	*80%	16.00	3.00	
8.	Madhya Pradesh	4.61	5.05	0.31	10.00	20%	15.00	0.50	20.00	38%	40.00	5.00	
9.	Mysore	7.68	5.38	1.52	13.80	35%	15.00	8.90	25.00	67%	37.50	10.00	
10.	Orissa	4.81	1.70	0.27	7.00	*50%	4.00	0.63	18.00	*66%	18.00	3.00	
11.	Madras	8.79	7.22	4.05	22.50	50%	20.00	0.33	40.00	76%	45.00	15.00	
12.	Punjab	6.76	5.66	—	13.00	45%	13.00	0.60	22.00	80%	30.00	2.90	
13.	Rajasthan	1.82	1.04	—	7.00	*25%	6.00	0.30	15.00	*48%	18.00	5.00	
14.	Uttar Pradesh	19.13	6.56	—	30.00	28%	25.00	0.15	65.00	60%	50.00	5.00	
15.	West Bengal	4.15	1.16	—	8.98	20%	8.60	0.23	20.00	40%	15.00	2.00	
16.	Union Territories	0.72	0.30	—	1.50	—	0.75	0.01	4.30	—	3.22	0.20	
	Total	91.17	67.32	14.93	181.43	—	194.50	34.67	374.30	—	501.22	151.79	
	Figures for 1955-56	77.91	49.62	13.08									

*Agricultural Population.

Planning Commission

(iv) AGRICULTURAL PRODUCTION IN THE THIRD PLAN

I. Examination of State Plans

The Draft Outline indicated tentative estimates of increase in agricultural production during the Third Plan. These were based broadly on the expectation of certain technical programmes relating to irrigation, soil conservation, dry farming, land reclamation, supply of fertilisers and manures and better ploughs and improved implements being completed on the scale envisaged in the Plan. It was intended that the final agricultural targets for the plan period should be derived from detailed agricultural programmes to be drawn up at the district and block levels. Suggestions as to the lines along which local agricultural programmes might be formulated were forwarded to States in June, 1960. At a review in September, 1960 of the action taken by States, it was ascertained that while preliminary steps had been initiated, generally it was felt that local agricultural programmes could not be formulated clearly until the main dimensions of the State plan as a whole had been settled. It was, therefore agreed that after the draft plans of States had been considered in consultation with the Planning Commission and the Ministries and preliminary discussions held in the working groups, there should be a further round of discussions in which the agricultural production targets could be examined in fuller detail with different States in the light of programmes relating to agriculture, cooperation and irrigation.

2. The agricultural production programmes of the States have been considered in three stages during recent months; first by the State Governments themselves in formulating their draft plans; secondly, during September-November 1960 by working groups composed of officials from the Centre and the States; and thirdly, in fuller detail, in a series of discussions arranged in December 1960 and January 1961, in which representatives of the Planning, Agriculture, Cooperation and Irrigation Departments in the States conferred with officials from the Planning Commission, the Ministries of Food & Agriculture, Community Development & Cooperation and Irrigation and Power. Officials from the Reserve Bank of India attended the discussions at the stage of the working groups as well as in the final round.

3. This paper summarises the results of the recent discussions and, while some of the detailed estimates will be checked over once again in the States and at the Centre, the data contained in the Statements appended to this paper provide a fair measure of the agricultural effort envisaged during the Third Plan, and can form a basis for considering the administrative, technical and financial implications of the agricultural programmes during the Third Plan. Since the discussions with States have concluded as recently as January 4, 1961, this paper is necessarily preliminary and provisional in character.

II. Agricultural Development Programmes

4. Information relating to the main agricultural development programmes for the Third Plan is presented in five statements in Annexure I to this paper and is summarised in the table below :

TABLE 1.—Development Programmes

	Unit	Draft outline	Provisional estimate
1. **Irrigation**			
1.1 Major and medium irrigation	Million acres	13	12.8
1.2 Minor irrigation			
(a) Agriculture	-Do-	10	10
(b) C.D. programme	-Do-	3.5 to 4	3.3
Total (a) & (b)	-Do-	13.5 to 14	23.3
1.3 Total—Irrigation	-Do-	26.5 to 27	26.1
2. **Soil conservation, land reclamation etc.**			
2.1 Soil conservation in agricultural lands	-Do-	13	10
2.2 Dry farming	-Do-	40	22
2.3 Land reclamation	-Do-	1	3.3
2.4 Reclamation of saline and alkaline lands	-Do-	0.4	0.2
2.5 Flood control, drainage & water logging	-Do-	5.0	7.0
3. **Area under improved seed**			
3.1 By end of 1960-61	-Do-	N.A.	55
3.2 By end of 1965-66	-Do-	150	151
4. **Consumption of chemical fertilizers**			
4.1 Nitrogenous (N)	Million tons	1	1.01*
4.2 Phosphatic (P_2O_5)	-Do-	0.4 to 0.5	0.4
5. **Organic and green manures**			
5.1 Urban compost	-Do-	4.5	5
5.2 Rural compost**	-Do-	72.0	148
5.3 Green manuring**	Million acres	50	39

*Requirements for plantation crops, estimated at 0.04 mill. tons (N) are in addition to these figures.
**These are necessarily rough guesses.

5. As stated above, the provisional estimates resulting from the recent discussions will require some further scrutiny.

Estimates of consumption of nitrogenous fertilisers add up to a quantity somewhat larger than has been envisaged by the end of the Third Plan. The latter will not be easy to reach and may have to be lowered a little in view of the likely internal production and imports. In some States estimates of future consumption are apparently high and may be requiring scaling down.

The targets for the area to be brought under dry farming operations, for which responsibility lies with the block organisations under the community development programme, is about half that visualised in the Draft Outline. The latter envisaged that in about 2000 to 3000 out of 5000 development blocks, over the period of five years, on an average, dry farming operations might extend to about 10,000 to 20,000 acres in a block.

Green manuring offers greater scope for expansion than the estimates of States suggest. The relative balance for the agricultural production plan between different programmes would also require some further study, and doubtless States would wish to suggest some marginal changes under various heads.

III. Outlays

6. The following table shows the allocations under agriculture, cooperation and community development in the plans of States and Union Territories :

TABLE 2.—Outlays under Agriculture and Community Development

(Rs. crores)

	Outlays initially proposed	Outlays recomm-ended by working groups	Outlays reported after discussions
1	2	3	4
Agricultural Programmes			
Agricultural production	268.5	202.6	182.6
Minor Irrigation	271.1	189.9	170.6
Soil Conservation	83.3	60.9	58.1
Animal husbandry	61.3	46.8	45.2
Dairying & milk supply	41.8	32.7	27.6
Forests	57.1	45.1	43.5
Fisheries	27.9	22.4	20.8
Warehousing & marketing	17.3	7.3	8.6
Total	828.3	607.7	557.0
Cooperation and Community Development			
Cooperation	91.8	73.8	68.6
Community development	340.0	297.8	294.9
Panchayats	39.9	35.2	26.9
Total	471.7	406.8	390.4
Total—Agriculture and Community Development	1300.00	1014.5	947.4
At the Centre, under the heads mentioned above, the provision indicated in September, 1960 was Rs. 125 crores.			

7. In the tentative proposals forwarded to States in June 1960, besides the provision under the community development programme, it was envisaged that Rs. 200 crores would be available for minor irrigation under the agricultural programme. Under the community development programme States have indicated a total provision for minor irrigation of Rs. 65 crores or 22 per cent of the outlay proposed under this head. A few States are able to execute minor irrigation programmes substantially larger than the outlays which they have actually proposed. In some of these, in the

expectation that the outlays will be revised upwards to some extent before the Plans are finalised, the development targets have been worked out in terms of their capacity to implement. The Planning Commission visualises that in the case of all such States, if the provisions now made are utilised and the programmes completed during the first three or four years of the Plan, additional funds should be made available through annual plans specially in the fourth and fifth years. The following are some of the aspects which need further consideration in relation to the minor irrigation programme :

(1) The allocation for minor irrigation within the community development budget is small. The total share of agriculture in the community development provisions is assessed at about Rs. 105 crores, but there is greater stress on activities involving subsidies than on those calling for loan expenditures. In relation to the agricultural programmes of the Third Plan the distribution of expenditure within the community development budgets should be re-examined with a view to making block programme far more production-oriented than it is at present.

(2) Except in a few States, as at present assessed, cooperative financing agencies are not likely to make any significant contribution by way of medium and long-term credit for undertaking the minor irrigation programmes. In the recent discussions, minor irrigation programmes were expected to be financed by cooperative agencies only to the extent of Rs. 40 crores. This is obviously inadequate.

(3) It appears that in some States financial provisions for minor irrigation in 1961-62 are being kept down to 14 to 15 per cent of the five-year outlay. The figure of 14 to 15 per cent referred to the total outlay under the annual plan and is certainly not intended to apply to agricultural programmes and, in particular, to programmes like minor irrigation.

(4) The recent discussions have emphasised the need for detailed surveys of minor irrigation possibilities in each area and for ensuring adequate arrangements for the maintenance of minor irrigation works on the lines set out in the Draft Outline.

(5) Targets for minor irrigation have been proposed by States, both under Agriculture and under Community Development, on the assumption that there will be little, if any, contribution by way of public participation. Apart from private works like wells, increasingly under both programmes minor irrigation-works have come to be regarded as a programme to be executed by government departments rather than a programme carried out mainly on a local basis with community participation and some measure of assistance and planning on the part of government agencies. These disturbing features, which are common to Agriculture and Community Development, are submitted to the attention of the National Development Council.

8. The Draft Outline had envisaged a programme for soil conservation of 13 million acres, of which, it was hoped, cooperative agencies might finance upto 5 million acres. In respect of soil conservation, the target proposed has fallen short by 3 million acres of that indicated in the Draft Outline. The shortfall is due in considerable part to the fact that State Governments do not consider that cooperative financing agencies will be able to finance a large programme for soil conservation. Also, several States are not yet fully organised for a large-scale effort in soil conservation and lack trained personnel. Even the targets which have been accepted constitute, in fact, in some cases a programme bigger than states are yet equipped to carry out. Over a large part of the country, soil conservation constitutes one of the main development programmes to be undertaken and both the need and the scope for it are large. While every effort should be made to bring cooperative agencies more and more into the soil conservation programme of the Third Plan, it will be necessary for State Governments to bear a larger share of responsibility for it than the Draft Outline had anticipated.

This should be kept in view in deciding finally upon the financial allocations for soil conservation and in the annual plans.

IV. Estimates of Production

9. The following table compares for the major crops the production in 1955-56, in 1958-59 and 1959-60, production anticipated in 1960-61 and the original and revised targets set for the second Five Year Plan :

TABLE III

Crop	Unit	Production				Targets of total production for the the Second Plan	
		1955-56	1958-59 (Revised estimate)	1959-60 (Final estimate)	1960-61 (Antici-pated)	Original	Revised
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Foodgrains	Million tons	65.8	75.5	71.7	76.0	75.0	80.5
Oilseeds	-Do-	5.6	6.9	6.3	7.1	7.0	7.6
Sugarcane (gur)	-Do-	6.0	7.1	7.6	8.0	7.1	7.8
Cotton	Mill. bales	3.3	4.7	3.8	5.1	5.5	6.5
Jute	-Do-	4.2	5.1	4.5	4.3	5.0	5.5

10. Estimates of additional production are derived from development programmes and also take account of progress in the adoption of improved agricultural practices. Since such estimates involve the use of certain yardsticks, despite the efforts made in recent years to base these on experimental and other data, they are to be regarded at best as rough measures rather than as firm and set targets. For effective implementation the targets for the Plan are proposed in terms of the physical programmes and other developmental measures to be carried out. These limitations have to be kept in view in comparing, as in the Table below, the targets of production for the main crops mentioned in the Draft Outline with those proposed in the recent discussions with States.

TABLE 4.—Estimates of additional production in the Third Plan

	Crop/Commodity	Unit	Additional production		Total production	
			Draft Outline	Present estimates	Draft outline	Provisional estimates
1.	Foodgrains	Mill. tons	25—30	24.0	100—105	100.0
2.	Sugarcane (gur)	-Do-	2.0—2.2	2.5	9.0—9.2	10.5
3.	Oilseeds	-Do-	2.0—2.5	2.7	9.2—9.5	9.7
4.	Cotton	Mill. bales	1.8	1.9	7.2	7.0
5.	Jute	-Do-	1.0	2.2	6.5	6.5*

*Excludes Mesta which may provide an additional million bales in the Third Plan.

In the recent discussions with States a great deal of stress was placed on increasing the production of oilseeds and cotton as well as foodgrains. Both as raw materials for industry and for export, the production of commercial crops has critical importance, and development programmes relating to these crops require greater attention than ever before. In regard to sugarcane, the estimates of States suggest that in the absence of appropriate measures there are possibilities of over-production. The estimates of additional production given above are at this stage provisional and will be considered further by the Planning Commission from the aspect of the balance to be secured between supply and requirements during the period of the Third Plan.

11. The Draft Outline mentioned the total increase in agricultural production in the Third Plan as being of the order of 30 to 33 per cent. The present estimates suggest a total increase in production of about 30 per cent. Subject to marginal changes in the targets for foodgrains and other crops in the light of the programmes which may be decided upon finally, this may be taken as an indication of the increase in agricultural production to be aimed at during the Third Plan.

12. As a result of the recent discussions the targets for co-operative credit have been somewhat revised. The target for short and medium-term credit is now estimated at about Rs. 506 crores as compared to Rs. 537 crores at the stage of discussion in the working group. For long-term credit, loans outstanding are reckoned at Rs. 150 crores compared to the earlier estimate of Rs. 146 crores. Details of estimates for different States are given in Annexure III. It is obvious that, despite all the help which the Government may give by way of participation in share capital and otherwise, the targets proposed can only be achieved if the organisational efforts are intensive and sustained, the best available leadership in each area is effectively drawn into the task of building up the co-operative movement, and carefully selected and trained personnel are placed in charge of co-operative activities at all levels.

13. The Draft Outline placed considerable stress on programmes relating to the use of better ploughs and improved agricultural implements. Different aspects of this programme have been studied and the proposals have also been examined by a large number of technical and other experts at a conference at Kharagpur in October, 1960. The programme includes the following principal items :

(1) establishment in each State of a centre for testing, designs, technical guidance and manufacture of agricultural implements;

(2) adequate provision of iron and steel;

(3) selection of principal implements to be popularised;

(4) training facilities for village level workers, mechanics, artisans, etc.;

(5) credit for supply of implements;

(6) extension arrangements at the district and block levels; and

(7) strengthening of agricultural engineering personnel in the States.

In respect of item (2) above, it should be pointed out that during the Second Plan, there has existed a large gap between the allotment of iron and steel for agricultural implements and the actual supply. The quantity allotted increased from about 92,000 tons in 1958-59 to 115,000 tons in 1958-59 and 320,000 tons in 1959-60. However, on the statistics available, the actual supplies did not improve and amounted during these years to 66,511, 55,429 and 46,036 tons. It is suggested that in the course of the next three months the schemes to be implemented by the States should be worked out fully, so that they can launch without delay on a large-scale an effective programme for popularising agricultural implements.

14. There has been a marked tendency during the Second Plan for prices of food articles such as fish, milk, eggs, fruits and vegetables, ghee, edible oils, etc., to rise out of proportion to cereals and pulses. This is explained by various factors, including the growth of population, increase in incomes, changes in consumption patterns, and the relatively small increases achieved in the output of these commodities. It is, therefore, considered that the agricultural development programmes should now place, along with foodgrains, equal stress on the production of other food articles. From this aspect the allocations made by States, particularly for Fisheries, Dairying and Milk Supply, need to be improved substantially. It is suggested that in their further examination this aspect may be specially considered by State Governments. The Draft Outline envisaged a total outlay of Rs. 35 crores for fisheries and Rs. 40 crores for dairying and milk supply from which there is a substantial shortfall now. Even allowing for some expenditure by the Centre under these heads, the provisions made for Fisheries and Dairying in the State outlays could be appropriately raised to some extent.

15. An agricultural programme of the dimensions proposed for the Third Plan presents certain essential problems. Firstly, it has serious implications from the point of view of the adequacy of the administrative and technical arrangements for carrying out the programmes, both under Agriculture and community development. Secondly, attention has to be drawn also to the fact that although the agricultural programme leans heavily on the fulfilment of the cooperative programme the implementation of the latter cannot at present be taken for granted in several States. Another important issue concerns the price policies to be followed in respect of different major commodities. Finally, with the overall magnitudes of the State plans established, it is now essential to work out local agricultural programmes for effective implementation and for enlisting community participation in various activities.

ANNEXURE I-1

Gross area benefited by Major and Minor Irrigation—Third Plan

(Lakh acres)

	State	Major Irrigation	Minor Irrigation		
			Total	Agricultural Sector	C.D. Sector
1.	Andhra Pradesh	15.57	14.65	12.15	2.50
2.	Assam	0.79	3.70	2.20	1.50
3.	Bihar	20.00	10.64	5.64	5.00
4.	Gujarat	8.64	11.90	10.50	1.40
5.	Maharashtra	7.08	13.32	12.61	0.71
6.	Kerala	2.55	5.39	4.75	0.64
7.	Madhya Pradesh	8.50	7.50	5.75	1.75
8.	Madras	2.41	6.63	6.09	0.54
9.	Mysore	8.76	3.09	2.62	0.47
10.	Orissa	9.46	2.70	1.20	1.50
11.	Punjab	13.01	9.19	6.53	2.66
12.	Rajasthan	11.45	4.85	3.45	1.40
13.	Uttar Pradesh	8.84	29.45	18.12	11.33
14.	West Bengal	12.30	9.02	8.12	0.90
15.	Jammu & Kashmir	0.43	0.70	0.45	0.25
16.	Delhi	—	0.07	0.06	0.01
17.	H. Pradesh	—	0.36	0.25	0.11
18.	Manipur	—	0.15	0.14	0.01
19.	Tripura	—	0.20	0.12	0.08
20.	N.E.F.A.	—	0.07	0.05	0.02
	Total India	127.91	133.58	100.80	32.78

ANNEXURE I-2

Area benfited by Soil Conservation and land development—Third Plan

(Lakh acres)

State	Soil Conservation on Agricultural lands	Dry Farming	Land Reclamation	Reclamation of saline and and alkaline land
1	2	3	4	5
Andhra Pradesh	3.50	20.00	2.29	0.17
Assam	0.13	0.01	0.18	—
Bihar	2.88	0.10	0.75	—
Gujarat	13.02	12.00	0.34	0.45
Maharashtra	50.00	24.10	0.61	—
Kerala	0.70	—	—	—
Madhya Pradesh	5.93	40.50	6.75	—
Madras	3.40	4.00	2.25	0.01
Mysore	2.70	5.40	0.22	0.38
Orissa	3.00	4.70	—	0.08
Punjab	0.44	16.00	2.40	0.30
Rajasthan	1.78	48.50	15.77	0.10
Uttar Pradesh	10.67	40.04	0.30	0.10
West Bengal	1.14	1.00	0.93	—
Jammu & Kashmir	0.07	—	—	—
Delhi	—	0.05	—	0.04
Himachal Pradesh	0.18	0.20	—	—
Total India	99.54	216.60	32.79	1.63

ANNEXURE I-3

Area under Improved Seeds—Foodgrains

(Lakh acres)

State	1960-61	1965-66	Area under Foodgrains (1959-60)
1. Andhra Pradesh	12.30	127.80	221.9
2. Assam	4.38	30.00	44.5
3. Bihar	26.12	144.12	237.2
4. Gujarat	2.42	29.35	417.2 (Gujarat and Maharashtra)
5. Maharashtra	29.31	145.38	
6. Kerala	5.00	12.00	20.2
7. Madhya Pradesh	63.00	130.00	365.5
8. Madras	72.50	94.50	119.5
9. Mysore	48.69	88.76	172.7
10. Orissa	12.60	84.35	111.2
11. Punjab	30.20	90.00	173.7
12. Rajasthan	41.40	170.00	276.2
13. Uttar Pradesh	188.61	293.01	454.1
14. West Bengal	10.00	60.00	132.1
15. Jammu & Kashmir*	1.07	3.45	12.8
16. Delhi*	0.01	0.01	2.2
17. Himachal Pradesh*	1.07	3.95	10.0
18. Manipur*	—	1.40	3.92
Total India	548.48	1508.08	2781.3

*Figures as given by the Working Group.

ANNEXURE I-4
Consumption of Chemical Fertilisers

(Lakh tons)

State	Ammonium Sulphate		Superphosphate		Potash	
	1960-61	1965-66	1960-61	1965-66	1960-61	1965-66
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Andhra Pradesh	2.73	5.24	0.90	3.50	—	—
2. Assam	0.10	0.60	0.05	0.25	—	—
3. Bihar	0.50	4.00	0.15	1.20	0.01	0.20
4. Gujarat	0.95	3.00	0.48	0.90	—	0.09
5. Maharashtra	1.00	5.00	0.53	3.83	—	—
6. Kerala	0.37	1.91	0.07	1.90	0.01	0.56
7. Madhya Pradesh	0.26	2.00	0.05	0.40	—	—
8. Madras	1.50	5.80	0.60	3.20	0.12	0.90
9. Mysore	0.35	3.00	0.20	3.20	—	—
10. Orissa	0.30	2.00	0.08	0.50	—	0.02
11. Punjab	0.40	2.80	0.02	0.15	—	—
12. Rajasthan	0.15	1.00	0.02	0.29	—	—
13. Uttar Pradesh	2.97	9.90	0.58	2.88	0.08	0.80
14. West Bengal	0.40	5.00	0.25	2.50	—	—
15. Jammu & Kashmir	0.05	0.11	—	—		
16. Delhi	0.01	0.01	—	—		
17. Himachal Pradesh	—	0.02	—	0.01		
18. Manipur	Neg.	Neg.	Neg.	Neg.		
19. Tripura	Neg.	Neg.	Neg.	Neg.		
Total India	12.04	51.39	3.98	24.71	0.22	2.57

Neg.—Means below 500 tons.

ANNEXURE I-5
Origanic Manures and Green Manures

(Lakh tons)

State	Urban Compost		Rural Compost		Green Manuring (lakh acres)	
	1960-61	1965-66	1960-61	1965-66	1960-61	1965-66
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Andhra Pradesh	2.62	3.34	94.39	128.74	32.00	45.00
2. Assam	0.08	0.21	8.00	10.00	2.00	10.00
3. Bihar	0.75	1.77	10.00	77.00	10.95	30.95
4. Gujarat	N.A.	2.00	N.A.	1.25	0.10	1.00
5. Maharashtra	3.42	4.47	4.59	10.55	0.22	10.00
6. Kerala	0.22	0.55	0.94	2.69	2.50	10.50
7. Madhya Pradesh	1.60	3.58	1.30	19.70	0.40	22.40
8. Madras	4.00	6.00	14.00	30.00	30.00	60.00
9. Mysore	3.10	4.25	30.00	53.80	5.00	7.50
10. Orissa	0.20	(b)	23.40	140.00	10.00	70.00
11. Punjab	2.00	4.00	61.00	89.00	3.50	13.50
12. Rajasthan	6.30	9.00	13.00	20.00	1.30	6.30
13. Uttar Pradesh	5.80	7.50	560.60	823.40	6.50	90.00
14. West Bengal	0.40	4.10	5.00	75.00	N.A.	10.00 (a)
15. Jammu & Kashmir	—	0.15	—	0.75	1.75	0.10
16. Delhi	—	0.40 (c)	—	—	0.02	0.30
17. Himachal Pradesh	—	—	1.20	2.20	0.28	0.78
18. Manipur	—	—	0.20	0.35	Neg.	0.03
19. Tripura	0.01	0.02	0.67	1.48	—	N.A.
Total India	30.50	51.34	828.29	1485.91	106.52	388.36

(a) Adviser suggested 60.0 lakh acres. (b) Included under Rural Compsot. (c) Sludge Manure.

ANNEXURE II - 1

Estimates of increase in agricultural production during the Third Plan

FOODGRAINS

(Lakh tons)

State	Total Production 1955-56	Total Production 1958-59 (Revised estimate)	Total Production 1959-60 (Final estimate)	Total Production 1960-61 (Antici-pated)	Percen-tage increase 1956-61 Col. (5) over Col. (2)	Additional Production in the Third Plan: Proposals in Draft Plans of States	Additional Production in the Third Plan: As dis-cussed in work-ing groups (Sept.-Nov. 1960)	Additional Production in the Third Plan: As agreed (Dec. 60—Jan.61)	Total estimated production 1965-66	Percen-tage increase in 1961-66 (Col. 10 over Col. 5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Andhra Pradesh	55.36	63.64	62.96	63.95	15.5	27.17	25.01	28.64	92.59	44.8
Assam	17.00	16.00	16.60	17.00	—	4.00	4.00	4.20	21.20	24.7
Bihar	51.84	68.75	59.39	60.00	15.7	21.01	18.00	20.50	80.50	34.2
Gujarat } Maharashtra	72.55	89.28	75.07	83.82	15.5					
Gujarat						17.17	7.50	8.00	29.16	37.8
Maharashtra						16.82	13.50	17.63	80.29	28.1
Kerala	8.87	9.65	10.55	10.42	17.5	5.34	5.00	4.00	14.42	38.4
Madhya Pradesh	76.17	92.85	90.31	90.74	19.1	18.00	12.50	16.68	107.42	18.4
Madras	45.38	49.25	50.96	51.72	14.0	16.00	15.50	16.54	68.26	32.0
Mysore	37.83	37.17	36.27	35.00	—	7.50	8.30	10.00	45.00	28.6
Orissa	24.63	24.52	24.47	38.00*	—	15.06	10.50	16.15	54.15	42.5
Punjab	47.85	60.78	53.67	60.00	25.4	24.00	16.50	18.09	78.00	30.9
Rajasthan	41.75	50.93	47.26	50.35	20.6	18.04	16.50	15.85	66.20	31.5
Uttar Pradesh	118.86	133.99	131.82	135.39	13.9	54.50	47.30	47.50	182.89	35.1
West Bengal	49.73	45.26	46.15	52.23	5.0	15.00	15.38	14.50	66.73	27.8
Jammu & Kashmir	4.74	5.49	4.87	4.83	2.7	N.A.	1.00	1.00	5.87	20.5
Union Teritories	5.54	6.86	7.15	7.15	29.1	1.20	1.05	1.05	8.20	14.7
Total India	658.16	755.03	717.50	760.64	15.6	250.81	217.74	240.24	1000.88	31.6

*Based on crop cutting experiments and are not comparable with figures for earlier years based on eye estimation.

ANNEXURE II - 2

Estimates of Increase in agricultural production during the Third Plan

OILSEEDS

('000 tons)

State	Total Production				Percentage increase 1956-61 Col. (5) over Col. (2)	Additional Production in the 3 plan			Total estimated production 1965-66	Percentage increase in 1961-66 (Col. 10 over Col. 5)
	1955-56	1958-59 (Revised estimate)	1959-60 (Final estimate)	1960-61 (Anticipated)		Proposals in Draft Plans of States	As discussed in working groups (Sept.-Nov. 1960)	As agreed (Dec. 1960—Jan.1961)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Andhra Pradesh	1188	1109	1080	1150	—	450	500	558	1708	48.5
Assam	56	66	44	60	7.1	15	10	20	80	33.3
Bihar	56	78	66	60	—	30	40	66	126	110.0
Gujarat	1202	1925	1588	1700	41.4	211	N.A.	300	1200	33.3
Maharashtra						240	240	321	1121	40.1
Kerala	20	22	17	20	—	33	40	31	51	155.0
Madhya Pradesh	454	621	473	561	23.6	46	100	125	686	22.3
Madras	870	939	945	1050	20.7	215	215	290	1340	27.6
Mysore	503	574	580	700	39.2	150	150	175	875	25.0
Orissa	65	64	54	90	40.6	110	110	130	220	140.4
Punjab	149	186	165	185	24.2	90	90	100	285	54.1
Rajasthan	252	268	198	275	9.5	64	64	110	386	39.9
Uttar Pradesh	756	996	1089	1180	56.1	N.A.	320	495	1673	41.9
West Bengal	49	55	39	40	—	N.A.	8	20	60	52.0
Jammu & Kashmir	19	11	11	11	—	—	—	—	11	—
Union Teritories	4	3	3	4	—	—	—	—	3	—
Total India	5043	6907	6352	7086	25.5	1654	1887	2741	9827	38.7

ANNEXURE II - 3

Estimates of Increase in agricultural production during the Third Plan

SUGARCANE

('000 tons)

State	Total Production 1955-56	Total Production 1958-59 (Revised estimate)	Total Production 1959-60 (Final estimate)	Total Production 1960-61 (Antici-pated)	Percen-tage increase 1956-61 (Col. (5) over Col. (2)	Additional Production in the Third Plan: Proposals in Draft Plans of States	Additional Production in the Third Plan: As dis-cussed in work-ing groups (Sept.-Nov. 1960)	Additional Production in the Third Plan: As agreed (Dec. 1960—Jan.1961)	Total estimated production 1965-66	Percen-tage increase 1961-66 (Col. 10 over Col. 5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Andhra Pradesh	517	661	627	674	30.4	114	114	126	800	18.7
Assam	66	97	97	100	51.5	20	20	140	100	40.0
Bihar	292	606	653	660	26.0	130	70	130	790	19.7
Gujarat } Maharashtra }	553	800	927	978	76.8	N.A.	N.A.	31	129	31.6
						390	300	317	1197	36.1
Kerala	33	35	34	37	12.1	12	30	30	67	81.1
Madhya Pradesh	115	89	106	163	41.7	95	95	164	327	100.6
Madras	335	384	409	400	19.4	100	100	101	501	25.3
Mysore	290	392	384	350	20.7	N.A.	150	150	500	110.0
Orissa	92	73	73	100	8.7	100	130	130	230	130.0
Punjab	556	725	857	780	40.3	120	170	170	950	21.8
Rajasthan	45	42	60	90	100.0	90	90	90	180	100.0
Uttar Pradesh	2940	3076	3203	3500	19.0	1000	1350	1000	4500	28.6
West Bengal	131	117	128	130	—	N.A.	50	65	195	50.0
Jammu & Kashmir	1	1	1	1	—	—	—	—	1	—
Union Teritories	13	15	18	18*	38.5	1	—	—	18	—
Total India	5979	7113	7579	7961	33.1	2178	2657	2544	10,525	31.9

*Figures for 1959-60 are repeated.

ANNEXURE II - 4

Estimates of Increase in agricultural production during the Third Plan

COTTON

('000 bales)

State	Total Production				Percentage increase 1956-61 Col. (5) over Col. (2)	Additional Production in the Third Plan			Total estimated production in 1965-66	Percentage increase 1961-66 (Col. 10 over Col. 5)
	1955-56	1958-59 (Revised estimate)	1959-60 (Final estimate)	1960-61 (Anticipated)		Proposals in Draft Plans of States	As discussed in working groups (Sept.-Nov. 1960)	As agreed (Dec. 1960—Jan.1961)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Andhra Pradesh	128	116	115	115	—	35	35	60	175	52.2
Assam	9	6	9	9	—	5	2	5	14	55.6
Bihar	2	1	1	—	—	—	—	—	—	—
Gujarat } Maharashtra	1921	2481	1533	1106	—	300	N.A.	300	1406	27.1
				1200	20.0	160	200	311	1511	25.9
Kerala	10	8	8	5	—	47	45	100	105	—
Madhya Pradesh	403	380	279	567	40.7	81	113	184	751	32.5
Madras	335	356	401	420	25.4	150	150	100	520	23.8
Mysore	363	441	465	300	37.7	200	220	250	700	50.0
Orissa	2	2	2	2	—	99	99	100	102	—
Punjab	605	711	800	900	48.8	250	250	300	1200	33.3
Rajasthan	184	145	148	200	8.7	150	150	152	352	76.0
Uttar Pradesh	29	34	67	80	175.9	N.A.	40	80	160	100.0
Union Teritories	7	5	7	7*	8	—	8	15	15	114.3
Total India	3998	4686	3835	5111	27.7	1505	1334	1950	7061	38.2

*Figures for 1959-60 are repeated.

ANNEXURE II - 5

Estimates of Increase in agricultural production during the Third Plan

JUTE

('000 bales)

State	Total Production				Percentage increase 1956-61 (Col. (5) over Col. (2)	Additional Production in the Third Plan			Total estimated production in 1965-66	Percentage increase 1961-66 (Col. 10 over Col. 5)
	1955-56	1958-59 (Revised estimate)	1959-60 (Final estimate)	1960-61 (Anticipated)		Proposals in Draft Plans of States	As discussed in working groups (Sept.-Nov. 1960)	As agreed (Dec. 1960—Jan.1961)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Assam	1212	989	1114	1110	—	300	400	400	1500	36.4
Bihar	589	1243	930	839	42.4	N.A.	120	441	1280	52.6
Orissa	245	117	188	200	—	200	400	400	620	18.18
Uttar Pradesh	89	95	89	140	57.3	N.A.	30	30	170	21.4
West Bengal	2013	2596	2170	1987	—	N.A.	740	840	2827	42.3
Tripura	50	58	57	57*	14.0	35	40	40	97	70.2
India	4198	5158	4548	4343	3.5	535	1730	2151	6494	49.5

*Figures for 1959-60 are repeated.

ANNEXURE - III

Targets for Short & Medium Term Loans and Long Term Loans Outstanding at the end of Third Plan

(Rs. in crores)

States	Recommended by Working Group				Emerging out of discussions regarding Agricultural Production Programmes			
	Short Term	Medium Term	Total	Long Term Loans Outstanding	Short Term	Medium Term	Total	Long Term Loans Outstanding
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra	50.00	10.00	60.00	12.00	50.00	10.00	60.00	24.10
Assam	6.66	1.34	8.00	2.50	7.00	0.50	7.50	1.50
Bihar	12.50	2.50	15.00	4.00	7.00	4.50	11.50	3.50
Gujarat	41.67	8.33	50.00	20.00	40.00	10.00	50.00	20.00
Maharashtra	83.30	16.70	100.00	50.00	80.00	20.00	100.00	50.00
Kerala	13.33	2.67	16.00	3.00	12.00	4.00	16.00	3.00
Madhya Pradesh	33.33	6.67	40.00	2.00	28.00	12.00	40.00	5.00
Madras	37.50	7.50	45.00	15.00	35.00	10.00	15.00	14.50
Mysore	31.15	6.35	37.50	10.00	30.00	7.50	37.50	10.00
Orissa	15.00	3.00	18.00	3.00	12.00	6.00	18.00	3.00
Punjab	25.00	5.00	30.00	2.90	24.00	6.00	30.00	2.90
Rajasthan	20.83	4.17	25.00	9.00	14.00	4.00	18.00	5.00
Uttar Pradesh	58.33	11.67	70.00	10.00	40.00	10.00	50.00	5.00
West Bengal	12.50	2.50	15.00	2.00	12.00	3.00	15.00	2.00
Jammu & Kashmir	3.33	0.67	4.00	—	3.33	0.67	4.00	—
Union Territories	2.68	0.54	3.22	0.20	2.68	0.54	3.22	0.20
Total	447.11	89.61	536.72	145.60	397.01	108.71	505.72	149.70

(V) Employment aspects of the Third Plan

I

Employment has been a major objective of planning in India; it was so in the first two plans and this emphasis is likely to continue in subsequent plans. In dealing with the employment problem, as in others, the basic factor to contend with is the large population base, where even a small percentage increase assumes a big enough magnitude.

2. Unemployment exists in a number of forms. In the rural areas, for instance, there are persons seeking paid-work on a full-time basis and others who would like to supplement their income through subsidiary occupations, especially in the slack season. In the urban areas, the employment position in various industries and services is linked with fluctuations in the state of business, transport or industry. Employment analysis becomes more complex when qualitative aspects such as technological progress, mobility of labour, adjustments in the educational system, seasonal factors, etc. are introduced.

3. The existing data are inadequate for building up a national or regional picture of the state of employment. But statistics apart, there is a general feeling in the country, strengthened to a large extent by the limited number of employment opportunities available with the employment exchanges and the pressure of employment seekers on them, that in terms of unemployment, the position has worsened from plan to plan. The conclusions of the Second Agricultural Labour Enquiry do not indicate any improvement in the employment position of agricultural workers in the rural areas. These results have been broadly confirmed by the findings of the National Sample Survey and the Programme Evaluation Organisation. This, however, is not a complete statement. Development programmes have provided additional employment opportunities; but these are not being created fast enough to absorb the persons who enter the labour force each year. If we are to prevent any further deterioration, as pointed out in the Draft Outline of the Third Plan, we must endeavour to absorb in gainful employment at least an equivalent of new entrants.

II

4. For the purposes of employment planning, it is necessary to organise the limited employment data available under the following broad heads :

(a) unemployment at the beginning of a plan period;

(b) growth of labour force during the period;

(c) the employment potential of different schemes to be included in the plan; and

(d) indirect employment not accounted for by plan schemes.

The operational significance of these requirements will depend on the task that the country can undertake in the Third Plan. If, as stated above, the employment objective is to take care of an equivalent of new entrants to labour force, (b) requires to be ascertained with some precision. Information under (c) and (d) will provide, along with the relevant data on projects included in the Plan, an indication of the extent to which the employment objective may be reached. Information on (a) will be necessary, if in addition the national objective is to diminish a part of the present backlog of unemployed, which has been estimated, on a conservative basis, at about 8 millions.

5. India's occupational structure includes a large number of self-employed, a high proportion among them operating below the level of full employment. This is an aspect of employment which

has to be taken into account in framing policies.

Quantitatively, the extent of underemployment will vary according to the concepts used. At this stage of development, it may be more meaningful to think of under-employment in terms of the willingness of an individual to accept additional work rather than on the basis of some definite 'norm' of work to be put in by him, as in organised employment. The relevant data available from the N.S.S. from 9th to 12th rounds covering the period, May 1955 to August 1957, are given below :—

TABLE 1—Extent of under-employment

	Persons who worked 42 hours or less per week and were available for for further work				
	Percentage to total employed		Estimated number in millions		
	Rural	Urban	Total	Rural	Urban
9th and 10th rounds	10.3	8.8	15.2	13.0	2.2
11th and 12th rounds	12.1	8.3	17.4	15.3	2.1

Assuming that there has been no substantial change in the state of under-employment in the economy during the last three years, the estimated number of under-employed answering the above description would be 15 to 17 millions. The latest Report of the Programme Evaluation Organisation presents an even more disturbing picture and estimates that, during the busy and slack periods taken together, cultivators, artisans and agricultural labourers are unemployed or under-employed for over 30 per cent of the total man-days and suggests that the problem should be dealt with on a regional basis. Various criteria have to be employed in identifying areas that need special attention. In the absence of detailed employment statistics, broken down by districts and blocks, it may be useful to examine how far agricultural wage data could be employed to locate low wage pockets in each State. There are obvious difficulties in this country in making inter-State comparisons of money wages; but within a State, identification of low wage pockets should be possible on the basis of these data. Such identification may assist States in drawing up specific programmes for providing additional employment and raising per capita incomes.

6. Various estimates are available regarding the growth of labour force in the Third Plan on the basis of the 1951 Census and the N.S.S. Reports. The minimum of these estimates places new entrants to the labour force at about 15 millions for the Third Plan as against 10 millions assumed for the Second.*

The table below gives a State-wise estimate of employment requirements for the Third Plan.

*On the basis of evidence available, subsequent to the publication of the Second Plan, this figure of 10 million is likely to be an under-estimate.

TABLE 2—New entrants to labour force—State-wise

(Figures in lakhs)

Sl. No.	State	New entrants during the Third Plan
(1)	(2)	(3)
1.	Andhra Pradesh	12.00
2.	Assam	4.20
3.	Bihar	14.80
4.	Gujarat	7.50
5.	Jammu & Kashmir	1.66
6.	Kerala	6.90
7.	Madhya Pradesh	8.40
8.	Madras	12.00
9.	Maharashtra	16.00
10.	Mysore	9.00
11.	Orissa	3.90
12.	Punjab	8.00
13.	Rajasthan	7.40
14.	Uttar Pradesh	23.00
15.	West Bengal	9.50
	Total—States	143.26
16.	Delhi	1.29
17.	Other Union Territories	1.12
	Grand Total—States & Union Territories	146.67

In using these estimates, it is necessary to keep in mind the likely changes because of increasing mobility of labour, skilled personnel being more ready to move out for employment. Considering the numbers involved, however, such mobility will only have a marginal effect on the State-wise estimates.

III

7. In forecasting the employment effects of the plan, it is necessary to draw a distinction between construction and continuing employment. The nature of the two is different in the sense that construction employment will be temporary and will call for continuing expenditure of a certain order even to ensure future employment of the persons now engaged. For estimating employment therefore, the difference in the level of expenditure on construction in the plan period has to be distributed in broad categories—men, machines and material—and the expenditure component on men together with the wage rates prevailing in the area provides a basis for a rough employment estimate. Because of the structural differences in other sectors such as agriculture, irrigation, industries, transport, commercial establishments, social services, etc. continuing employment cannot be measured by using a single criterion. In some industries, investment may provide the best employment index. In others, employment has to be related to the proposed increase in the levels of production, after allowing for productivity increases. In road transport, employment

estimates can be related to the volume of passenger and goods traffic handled by an operator. In education, the pupil-teacher ratio and in health, the relationship between the quantum of medical services per unit of population, proposed during the plan period, could be used to provide suitable employment indicators. The validity of this approach in employment estimation was tested during the operation of the Second Plan through the National Employment Service. The analysis of information available with the Licensing Committee supported the Planning Commission's conclusions regarding projections of industrial employment. In a recent discussion at the Central and State Statisticians Conference this method of calculation was accepted as providing a rough but reasonable basis of employment estimates. Even so, their tentative character needs to be emphasised.

8. There will be changes in the relationship between investment and employment or production and employment from State to State, but on the basis of data accumulated so far, an overall estimate of employment generation in broad categories has been worked out. The table below gives the employment effects of the Third Plan on the basis detailed in para 7 above.

TABLE 3—Additional non-agricultural employment

(Figures in lakhs)

Sl. No.	Name of Sector		Additional Employment in Third Plan: As per the revised allocations for the States
(1)	(2)		(3)
*1.	Construction		23.10
2.	Irrigation & Power		1.01
3.	Railways		1.37
4.	Other Transport and Communications		8.78
5.	Industries and Minerals		7.50
6.	Small Industries		10.50
7.	Forestry, Fisheries and Allied Services		7.20
8.	Education		5.10
9.	Health		1.30
10.	Other Social Services		0.72
11.	Government Service		1.50
		Total	68.08
12.	Plus trade & commerce, etc. at 56% of the total		38.12
		Grand Total	106.20

*Since construction accounts for a large portion of the measurable employment, its break-up under different developmental sectors may be useful :

(1)	(2)		(3)
1.	Agricultural & Community Development		6.43
2.	Irrigation & Power		6.29
3.	Industries and Minerals, including Cottage and Small-scale Industries		3.17
4.	Transport & Communication, including Railways		2.24
5.	Social Services		3.50
6.	Miscellaneous		1.47
		Total	23.10

9. Agriculture will be claiming special attention in the Third Plan. Programmes to improve agricultural production, including soil conservation, land reclamation, flood control and settlement on lands rendered surplus utilisation of irrigation facilities, etc. will provide avenues for employing some of the new entrants to labour force, apart from providing greater employment opportunities for those who are already working. It is difficult to allocate firmly at this stage how much of these facilities will be utilised by new labour force, but adopting the basis which was indicated in the Second Plan it may be possible to hazard the following estimates in relation to the development programmes indicated in the Draft Outline.

TABLE 4—Additional Employment in Agriculture

	Scheme of Development	Physical Target (million acres)	Additional Employment (in millions)
	(1)	(2)	(3)
1.	Soil Conservation	13.0	1.00
2.	Land Reclamation, reclamation of saline and other lands	1.0	0.20
3.	Net additional area to be brought under irrigation	20.0	1.60
4.	Settlement on land rendered surplus due to (a) Bhoodan & (b) imposition of ceiling*.	4.5	0.70
	Total		3.50

*A sub-committee of the Panel on Land Reforms is currently examining the manner in which surplus land should be made available for settling landless labour.

10. The object of employment policy should be to absorb as many people as possible in non-agricultural occupations. Even so, if over the next 15 years a reduction of 10% in our dependence on agriculture as a source of livelihood is planned, there will have to be some net additions to agricultural employment in the Third Plan. To some extent, therefore, this addition in agricultural employment can be justified. There is also a further consideration that a major portion of additions to labour force will be from among families currently dependant on agriculture.

11. To sum up, the possible achievement of the Third Plan in the employment sphere will be:—

(i) addition to non-agricultural employment of the order of 10.5 million;

(ii) addition to agricultural employment of about 3.5 millions; and

(iii) some under-employment relief which cannot be quantified.

It will thus be seen that the planning effort will produce over 14 million employment opportunities. This will fall short of the total employment needs. While too much of a quantitative approach in this field, where the basis of calculations is so varied, is not desirable, it is necessary to keep in mind the experience of the Second Plan where, because of the shortfalls in performance, the requisite employment targets could not be reached. Every attempt has, therefore, to be made to avoid that situation. If our estimates of the requirements of employment opportunities are on the low side or there is overestimate of employment possibilities, the employment objective is in danger of not being achieved.

IV

12. Additional employment during the Third Plan in the sector of small industries has been estimated at 10.5 lakhs. For want of information, estimates of employment in this field are necessarily uncertain. It is not enough to relate the employment potential of small industries to the new developments that are proposed to be undertaken during the plan period. Much the greater part of the increase in employment is to be secured by realising the full production potential of existing small enterprises functioning at different levels of technique. Under the present conditions, frequently the limiting factor is not the demand for their production as their ability to produce the quantities needed. This is specially true of industries requiring raw materials such as iron and steel, non-ferrous metals, yarn, chemicals including dyes etc. In some cases, the lack of processing and other facilities is a severe handicap. Another difficulty which is felt in larger or smaller degree by most small enterprises is the lack of credit facilities and of dependable arrangements for the marketing of goods. Far greater attention than in the past must, therefore, now be given to making it possible for small units (whether run by individual entrepreneurs or cooperatives of artisans) to realise their maximum production potential. In industries in which it is technically possible for small units to work two shifts, this objective needs to be pursued systematically. Thus, so far as the existing small units are concerned, while various supporting schemes of assistance have to be intensified, the organisational aspects are of the greatest importance.

13. The programmes which have been drawn up for the Third Plan envisage high priority for supply of improved appliances, assistance in designs and processing, supply of raw materials, assistance in marketing and larger loan and credit facilities. The expansion of credit facilities for small industries from co-operative banks as well as commercial banks should be given very high priority in the planning of small industries in each district. Measures are also required to be taken to streamline the procedures for obtaining financial assistance including those relating to stamp duty, registration fees, etc., and further liberalisation of the terms and conditions governing grant of loans particularly by institutional agencies. The industrial extension service is proposed to be strengthened. Measures for linking up large and small units in industries such as agricultural implements and machinery, machine and hand tools, tanning and footwear, fruit and vegetable preservation and others mentioned in the Draft Outline, need to be accelerated. From the point of view of enlarging employment in the small industry sector, specially in rural areas, two sets of programmes have considerable importance. These are (a) rural electrification (to which reference is made below), and (b) the setting up of rural industrial estates and workshops providing service and other common facilities. For these, a few schemes have been taken up. In this field, it is considered essential that experience be gained from the working of a limited number of such schemes before the programme is expanded.

14. The assessment of 26 industrial pilot projects in community development areas which was completed about a year ago brings out some of the difficulties which need to be overcome in organising a large enough programme for rural industrialisation. Experience in this field was

reviewed recently at a seminar and, among the conclusions emphasised, the following are of particular importance in relation to employment opportunities in rural areas :-

(1) For securing dispersed development, it is necessary not only to develop small industries, but also to ensure suitable locations for new large and medium scale units and, to the extent feasible, to shift these from congested metropolitan areas.

(2) Efforts should be concentrated on developing centres or nuclei of industrial development in each area and linking these, not only with their rural hinterlands, but also with one another through improved transport and other facilities. These centres might be in small towns and large or centrally situated villages which are able to attract skills and enterprise and to which power and other facilities can be more readily provided.

(3) A considerable body of knowledge and experience already exists for selecting industries which offer promise of development in different areas. This aspect, however, requires much closer study in each State than it has yet received. In the development of small industries Government has a large responsibility for providing guidance so as to reduce the risks to which small entrepreneurs and artisans may be exposed.

(4) Over the past several years, different parts of the village and small-industry programmes have been assigned to various all-India Boards. If the objectives of the Third Plan in this sector are to be achieved, there has to be far greater coordination in planning and execution between these Boards inter se and with the agencies of the State Governments at State and district levels. The Boards cannot themselves reach out far enough except in limited areas. In particular, at the local level, therefore, they should work for an integrated programme related closely to the needs and possibilities of each area and permitting a considerable measure of flexibility in the use of the resources available from the Boards and the State Government.

These are among the essential conditions to be fulfilled, if the expectation that the small industry sector can provide steadily expanding employment, not only in urban areas, but also in rural areas, is to be fulfilled during the Third Plan.

15. The programme of rural electrification during the Third Plan has been considerably enlarged by the States. From electrification of 15,000 towns and villages envisaged in the Draft Outline the target now is nearer 23,000. In terms of employment, rural electrification may mean much or little, depending on the manner in which the extensions of electricity become available, the uses to which they are put and the technical and financial support given to programmes for increasing agricultural and industrial production. It is essential that State Electricity Boards should indicate in advance to every district their estimates of the amount of power planned for rural areas and small towns under the State programmes of power development. At the district and block level there should be carefully formulated development programmes covering activities in different fields, so that the maximum contribution towards the increase of production can be realised. This object will not be achieved without forward planning, supply of power to rural areas at rates based on an equitable distribution of costs over the entire area benefited by a transmission system, and improvement in the load factor secured through greater concentration of activity in selected rural centres and small towns. It is to these aspects of utilisation of power that the closest possible attention should be given in each area if the rural economy is to be diversified and its employment possibilities expanded rapidly.

16. In pursuance of the suggestion made in the Draft Outline of the Third Plan, a scheme of pilot projects for works programmes for utilising rural manpower has been introduced. About 32 pilot projects have been accepted. These include almost all States and the Union Territories of Himachal Pradesh and Tripura. This scheme of pilot projects provides for certain supplementary works programmes to be undertaken in addition to agricultural, irrigation, road development and other programmes included under the State plans and the community development programmes. As a rough measure, a provision of Rs. 2 lakhs has been suggested for each project for the period ending March 1962. The works programmes which have been drawn up include irrigation, afforestation, soil conservation and other schemes. The scheme envisages that wages should be paid at local village rates according to the appropriate seasons and that the planning of the various works will be undertaken in a coordinated manner.

17. The object of the series of pilot projects now initiated is to gain experience in organising works programmes which will make a marked impact on the problem of unemployment and under-employment, specially during the slack agricultural seasons. On the basis of the first year's experience it is hoped to extend the programme to many other areas in which there is wide-spread under-employment. It is, therefore, of the utmost importance that the present programme should be regarded not merely as providing additional financial resources, but as embodying a new approach to the working of the entire development programme in districts and blocks. The essence of the pilot project consists, not in the provision of a supplementary works programme, which will by itself provide only a limited amount of additional employment, as in the decision to utilise fully the manpower resources of the selected areas, and to reorient the working of the entire development programme so as to achieve this central object. This implies that for the employment benefits of the development programmes of an area to be maximised, (a) labour cooperatives, voluntary organisations and local leadership should be enabled to play a vital role, and (b) not only the supplementary works programmes but all the works to be undertaken in the area should be organised along similar lines. Fundamentally, then, through the intensive use of the available manpower and determination to find work for every willing hand, the pilot projects are designed to increase the potential for development, specially in agriculture, on the basis of wide-spread and well-organised community effort in selected areas and carefully worked out plans on the part of various Government agencies.

APPENDIX

Pilot Projects for works programmes for utilising rural manpower

State No. of Projects Block (District)	Works proposed	Period of work	Employment that will be provided by the works	Wage Rate	People's contribution	Agency for Execution	Remarks
1	2	3	4	5	6	7	8
1. ANDHRA PRADESH THREE* (i) Gannavaram (Krishna)	Minor Irrigation Drainage Communications, Drinking water wells and Sanitary Drains.	February & March April to June August to October and December.	2000 labourers for 60 days in 60-61 and 1200 labourers for 180 days in 61-62.		25% contribution for irrigation tanks; 50% contribution for communication & drinking water wells and loan for irrigation wells and land reclamation.	Panchayats to get the works executed through local labourers. 10 labour contract societies.	*Proposal for 3rd project not received.
(ii) Ibbrahampatnam (Hyderabad)	Contour Bunding, Restoration of minor irrigation sources; Approach Roads; and Sinking of wells.	January to March 1960-61, April to May & October to March 61-62.	500 labourers for 90 days in 60-61 & 537 labourers for 6 to 7 months in 61-62.	Local Wage rate for unskilled workers Male Rs. 1.50 nP Female Rs. 0.87 nP.	25% cost of approach roads and the rest as indicated above.	Panchayat Samiti & Panchayats.	
2. ASSAM THREE (i) Balijana (Goalpara) (ii) Naoboicha (Lakhimpur) (iii) Hajo (Kamrup)	Earthen Embankments.	November to January. May to August.	133 labourers for 5 months; 138 labourers for 8½ months 600 labourers for 5 months; 519 labourers for 6 months.	Rs. 2 per day Current Village rate Busy season Rs. 2.50 to Rs. 3.00 Slack season Rs. 2.00.	No Peoples Contribution.	Anchalik Panchayats and Gaon Panchayats.	
3. GUJARAT TWO (i) Mandvi (Kutch) (ii) Dhanera (Banaskantha)	Contour Bunding, Soil conservation Approach Roads, Wells, Irrigation, and Water courses.	January to March April to June December to March.	455 labourers for 7 months.	Slack season Male Rs. 1.50 Female Rs. 1.00 Busy Season Male Rs. 2 to Rs. 2.50 Female Rs. 1.50 to 2.00.	75% of the contour bunding expenditure to be treated as loan to beneficiaries.	Panchayats where existing. Village Samitis where Panchayats not formed.	
4. KERALA TWO (i) Parassala (Trivandrum) (ii) Konkatti (Kozhikode)	Minor irrigation Bunding, Levelling Drainage, Road Building and other allied constructional activities.	——	—— Details being worked out	——	——	Panchayats to work out land Development Schemes.	

1	2	3	4	5	6	7	8
5. MADHYA PRADESH TWO* (i) Sirmaur (Rewa Distt.)	Contour Bunding, Construction of roads, Primary School Buildings J.H. School Building. One rural Godown, Veterinary Dispensary, Labour Contract Society, Tubewells.	Not indicated	1100 persons for 4 months.	Male Rs. 1.00 Female, Rs. 0.75.	25% Subsidy & 75% loan for contour bunding. 50% contribution in the case of J.H. School Building.	Block organisation and Panchayats.	*Proposal for 2nd project not received.
6. MADRAS TWO 10 villages each in 10 Development Blocks in 10 Districts.	Minor Irrigation, Village Plantation, Contour Bunding, Village Roads, Manufacture of Buildings Materials.	Middle of March to Middle of June.	5000 labourers for 3 months (26 days in a month)	6 to 10 as. wages & 6 as. in the form of mid-day meals. Free mid-day meals on Sunday. Local Rate for unskilled worker Rs. 1.25 nP.	Value of work done by 50 labourers in 78 days will be Rs. 4875 against Rs. 3150 spent as wages. In view of this part of the amount spent may be treated as loan to Panchayats in which the assets will be vested.	Panchayats	
7. MAHARASHTRA THREE (i) Karmala (Sholapur) (ii) Babulgaon (Yeotmal) (iii) Ambad (Aurangabad)	Proposed to select programmes such as Soil Conservation, Afforestation, Compost pits, Minor Irrigation, Road Works.	Details being worked out					
8. ORISSA TWO (i) Dharamgarh (Khalahandi) (ii) Hindol (Dhenkanal)	Minor Irrigation, Flood Control, Communications, Pisciculture.	December to May	800 labourers for 6 months; 700 labourers for 6 months.	Rs. 1.50 to Rs. 2.00	75% loan and 25% subsidy for pisciculture only.	Gram Panchayats directly or through village Committees.	
9. PUNJAB TWO (i) Amb (Hoshiapur)	Development of Panchayat lands, Afforestation, Soil Conservation; Pisciculture, Khul Irrigation, Fruit, Plantation, Roads Development.	May and June September and December to March.	400 labourers for 160 days.	Rs. 1.50 to Rs. 2.00 per diem for unskilled labourers (Local rate during slack season on Rs. 1.50)	25% of the total expenditure incurred on various works programmes in hilly areas.	Panchayats, Panchayat Samitis and Block Staff Labour Cooperatives, Soil Conservation Cooperatives.	

1	2	3	4	5	6	7	8
(ii) Narayangarh (Ambala)	Community Kuhls in Hilly areas. Improvement of Panchayat Shamlat lands including Reclamation and antisoil erosion measures.	January to March during current year and remaining during the next year.	600 labourers for 4 months.	Rs. 1.50 per day (slack season) Rs. 2.00 Busy season.	Panchayats will be encouraged to apply for interest free loans from the State Government for installing pumping sets and Tubewells.	Block Organisation. Sub-Committees of the Block Development Committee will supervise the work.	
10. RAJASTHAN TWO (i) Kumbhalgarh (Udaipur) (ii) Jawaja (Ajmer)	Minor Irrigation Terracing Approach Roads.	Work will be throughout the year & intensified during Slack season.	800-1000 labourers in each Project for about 200 working days.	Rs. 1.25 to Rs. 1.50 per head.	1/3rd of expenditure required for terracing would be in the form of loans.	Panchayat Samiti, Panchayat.	Panchayat may get the work executed through voluntary Organisation.
11. UTTAR PRADESH TWO (i) Kauriram (Gorakhpur) (ii) Nanjheel (Mathura)	Construction of Bela and Nanjheel Bunds	December to April	1200 labourers for 5 months; 420 labourers for 5 months.		Wages will be at half the schedule rates to Panchayats and the value of the land will also be assumed, as contribution.	Supervision by Irrigation Department Panchayats Villages.	
12. WEST BENGAL TWO* (i) Memari (Burdwan)	Construction of village channels. Improvement of tanks for irrigation & Pisciculture. Construction of new roads & improvement of existing roads.	Middle of September to middle of November. Middle of February to Middle of June.	660 workers for 5 months.	Rs. 1.50 per day current village rate (a) Busy season Rs. 3.00 (cash & kind). (b) Slack season Rs. 1.50 (cash & kind).	Nil	Panchayats—Block staff will supervise and give technical assistance.	*Proposals for 2nd project not received.
13. HIMACHAL PRADESH ONE* (i) Kunihar (Mahasu) (ii) Saddar (Bilaspur)	Road projects.	November to March	900 labourers for 5 months.	Rs. 2 per day (local rate) Rs. 1.50 proposed to be paid.	25% of wages will be the contribution.	Panchayats and Voluntary organisations.	*In two adjacent blocks.
14. MYSORE TWO				Proposal awaited			
15. JAMMU & KASHMIR ONE				Ditto.			
16. BIHAR				Ditto.			
17. TRIPURA ONE				Ditto.			

SUMMARY RECORD

Morning Session
January 13, 1961

1. The Chairman **Shri Jawaharlal Nehru** in his opening address mentioned that since the last meeting of the National Development Council the Planning Commission had been conferring with the Ministries and States in regard to the allocations etc., under the Third Plan. A fresh examination of resources had been made and, according to the revised estimate, the resources had increased considerably, but even so not to the extent that all demands for additional allocations could be met. He felt that it was a good thing to aim high and without being unrealistic stretch ourselves as far as we could go. That stretching process was, no doubt, ultimately limited by resources, but resources also depended to some extent on our efforts to raise them.

2. There had been a significant change in the approach to planning. In planning both the physical and the financial concepts had to be borne in mind. If we thought in terms of financial resources only we would, no doubt, make a list of the good things we had to do and try to do them within our limitations. But in that approach of planning, the main objective that we had in view and the building up to it in an integrated way one thing connected with the other and one thing leading to the other would be lacking.

3. Agriculture had naturally been given very high importance in the Third Plan, but it was the industrial part of the Plan which required more careful physical planning so that things might not get held up. That is why stress had been rightly laid on heavy industries because they were so intimately connected with the others and many of these industries took years to build up.

4. The production of iron and steel, power, oil and heavy machinery had to be thought of in continuous terms. There was nothing more important on the industrial side than iron and steel. It did not matter how much power or steel the country produced; it would be consumed and it will pull up all the other avenues of growth and progress. Sometimes people imagine that there might be some excess of steel but that was completely misconceived. If by chance for a period there was an excess of steel it could very easily be disposed of to our advantage. But a very serious crisis might arise in the country if at the beginning of the Fourth Plan we were short of steel. It would bottle up all our progress and could not be remedied quickly. The Prime Minister emphasised that the Press reports that the Government had given up the Bokaro Steel Plant were absolutely baseless.

5. He mentioned that there were hopeful prospects of getting adequate quantities of oil within the country and at the beginning of the Fourth Plan India might begin to be self-sufficient in oil.

6. Machine building should be started early in the Third Plan so that the country could profit by them in the Fourth Plan. Otherwise the country would be put to great disadvantage and difficulty. The right approach, therefore, was to draw up a plan in regard to all these basic things. That Plan might even go beyond the resources estimated at present. If development took place fast enough additional resources would also accrue.

7. The Chairman emphasised the importance of education, especially technical education in developing the economy. He pointed out that the rapid growth of the economy would require vast numbers of trained people, and suggested that on a big scale a scheme of scholarships should be

evolved under which every boy and girl of merit should be able to get a scholarship for completing his entire course of studies. The selection should be on the basis of a boy or a girl being at the top of the class or some other automatic way of judging merit. The main objective before the country was to provide equality of opportunity and that could ultimately come mainly through educational opportunities. We should now begin thinking in terms of offering these opportunities to all those who are intellectually or otherwise fit to take advantage of them both in the school stage and in the college stage and in regard to the technical institutes.

8. The Chairman praised the Madras State which had introduced the supply of mid-day meals to the primary school children with the help and co-operation of the community. He also stressed the practical and psychological importance of uniform dress for school children. All this could not be, of course, done suddenly, but the Prime Minister suggested that the planning should proceed on these lines.

9. Pointing out the importance of austerity for promoting savings, the Chairman deprecated flaunting of wealth and flaunting of extravagant expenditure which led to increasing wants. The Prime Minister said that he was not against increasing wants if the country could afford them. But when we were trying to create an atmosphere of savings we should not adopt policies which gave rise to new habits and new wants. He added that there should be no encouragement to the production of things merely to cater to the demand of the top class.

10. The Chairman emphasised the importance of supply of power to rural areas and suggested that a certain proportion of power might be reserved for rural areas.

11. Referring to the controversy between the private and the public sectors, the Prime Minister pointed out that in the existing conditions of growing economy in India, both the public and the private sectors had a definite place. The role of the private sector was no doubt important but it had to fit into the general pattern of the planned economy and not to run on lines which might create monopolies and the like. The role of the private sector as well as private foreign investment had to be considered mainly from the point of view of advantage to the economy in giving it a big push forward.

12. Referring to regional development, the Chairman said that while it should be kept in view, it was also important that the pursuit of regional development during the next five years should not impede the general development of the economy.

13. The Chairman considered the last ten years of planning, in spite of all the ups and downs, a period of very considerable achievement of which the country could be rightly proud. The main achievement of this period lay in the fact that sound foundations for a rapid progress in the future had been laid.

14. The Third Plan was of historic significance because it represented a very vital stage requiring big effort on the part of the country in breaking the back of the problem of development. The Fourth and the Fifth plans would, by no means, be easy but their success will flow from the progress made in the Third Plan. The Prime Minister expressed the feeling that what the Council, the States and the Centre were doing in the field of planning was an exhilarating experience.

15. The Deputy Chairman, Planning Commission, **Shri G. L. Nanda** explaining the background of the paper on agenda item (1)- Outlays in the Third Plan-Centre and States, pointed out that as a result of discussions with the State Governments the outlay for the State Plans had increased by Rs. 122 crores from Rs. 3725 crores to Rs. 3847 crores. The State Governments had agreed to

raise additional resources of the order of Rs. 216 crores but there were a few overlapping items between the Centre and States and the additional resources in respect of the States might not be more than Rs. 150 crores. An additional Rs. 100 crores could be raised at the Centre of which Rs. 50 crores could be made available to the States by way of Central assistance.

16. The Deputy Chairman also explained that in the light of what The Chairman had said regarding financial and physical planning it may not be necessary for the State Governments to cut their Plans as such but it would be necessary to restrict the expenditure on State Plans to the agreed level of resources that would become available. More could be achieved only by raising more resources.

17. The Union Finance Minister, **Shri Morarji Desai,** intervening at this stage, pointed out that the Plan that had been drawn up exceeded the financial resources available by Rs. 500 crores. Therefore, to the extent resources could not be raised, the Plan would get reduced.

18. The Chairman, **Shri Jawaharlal Nehru** explained that it might be possible to carry out the Plan with certain economies. The element of flexibility had to be kept in mind but we could not go beyond our resources which were the governing factor. Keeping in view the priorities for a few important things, the Plan must go ahead but it might be necessary to go a little slow at some stage, keeping in view the availability of resources.

19. The Chief Minister, West Bengal, **Dr. B. C. Roy** wanted to know what was precisely meant by cutting down the Plan to the limit set by resources available. Explaining the circumstances under which the West Bengal Government had drawn up their Plan, Chief Minister, West Bengal, pointed out that the State Government and the Planning Commission did not see eye to eye on the magnitude of the State's Third Plan. In accordance with the criteria laid down by the Planning Commission, West Bengal Government had drawn up their Plan with an outlay of Rs. 341 crores which made provisions for (i) completion of projects already under execution, (ii) full provision for securing benefits from assets and services already created, (iii) increasing employment, (iv) introduction of universal free primary education, (v) rural electrification, and (vi) soil conservation. The Planning Commission, on the other hand, had suggested that State Plan be reduced to Rs. 250 crores. He had been in correspondence with the Deputy Chairman, Planning Commission, to know the criteria for determining the size of the State Plans and the quantum of Central assistance to the States but he had not received any satisfactory reply. In the correspondence referred to Chief Minister, West Bengal, had suggested that the size of the State Plan should be retained at Rs. 341 crores and the gap between the proposed outlay and the resources available should be left unfulfilled. The Planning Commission, on the other hand, had pointed out that the outlay on the State Plan should be limited to the extent of resources available.

20. The Chief Minister, West Bengal, **Dr. B.C. Roy** also mentioned that the city of Calcutta needed to be developed and urged that provision should be made in the Third Plan for the purpose.

21. The Union Finance Minister, **Shri Morarji Desai** pointed out that the Planning Commission had a duty to advise the Government and if the criteria suggested by the Chief Minister, West Bengal, was adopted for all the States the size of the Plan would be substantially higher than the resources that could be made available. If the size of the Plan was not limited to the resources that were available, during the course of implementation of the plan, the priorities underlying the Plan would be thrown to the winds. The Planning Commission had a duty of formulating the Plan for the whole country, including the Centre and States, and it would be very unfair for the Planning Commission if it had no voice in what the States were to do.

22. At this stage, the Chairman asked the Deputy Chairman to explain the position on behalf of the Planning Commission.

23. The Deputy Chairman, Planning Commission, **Shri G.L. Nanda** pointed out that he had fully explained to the Chief Minister, West Bengal the principles followed by the Planning Commission for determining the size of the Central assistance for the State Plans. A number of considerations had been taken into account, because no mathematical formulae could be followed in these matters. The Planning Commission had also to apply a certain element of judgment in such matters. The Plan could not be determined on the basis of aspirations. In physical terms, the Plan represented a size which could be achieved if corresponding financial resources were available. All the States had bigger plans when they came to the Planning Commission for discussions, but the State Governments had agreed to keep their plans at a level suggested by the Planning Commission. Planning Commission's job was to prepare the Plan for the country within which the Plans of States had to fit in. West Bengal should also fall in line. The Deputy Chairman assured the Chief Minister, West Bengal, that an appreciable beginning would be made under the Third Plan in the Central sector for dealing with the problems of Calcutta.

24. Referring to the special problems of Calcutta and the additional allocations agreed to, Finance Minister, Madras (Shri C. Subramaniam) pointed out that if special considerations were shown to West Bengal this would imply that the other States were being left out or that they did not have any special problems.

25. Intervening, the Chairman, **Shri Jawaharlal Nehru** pointed out that competition among the States in these matters was not correct. It was for the special problems of Calcutta, which were not repeated anywhere else in the country and had to be dealt with efficiently, that special considerations were being shown. Calcutta was the biggest city in the country. Its problems were national problems—quite apart from problems of West Bengal, and it was necessary that something special should be done. If the whole city went to pieces, it would be a tremendous tragedy.

26. The Chief Minister, Bombay, **Shri Y.B. Chavan** said that Dr. Roy was at liberty to argue his points with the Planning Commission with whom every Chief Minister had tried to be tough. But, if the question of plans and resources were left completely to the States, then, in a few years time, the national approach might have to be given up. The special problems of Calcutta should be looked into and the whole country should be one in helping the city of Calcutta.

27. The Chief Minister, West Bengal, **Dr. B. C. Roy** explained that he had brought to the notice of the Planning Commission the requirements of his State. If the State could find additional resources, then after informing the Planning Commission, the State would go ahead with the programmes.

28. The Finance Minister, Madras, **Shri C. Subramaniam** said that the method of presentation of State Plans to the State Legislature should be uniform and the States should stick to the decisions regarding the size of the State Plans which had been arrived at after full discussions with the Planning Commission.

29. The Deputy Chairman, Planning Commission, **Shri G. L. Nanda** pointed out that within the total Plan for the country the allocation for West Bengal stood at Rs. 250 crores. But West Bengal might do somewhat more with its own resources.

30. The Finance Minister, Madras asked the Chief Minister, West Bengal, to inform the Council as to how the State Plan would be presented to the State Assembly. It should not be left to Chief Minister, West Bengal, to place the State Plan to the Assembly differently from what had been

agreed to by the Planning Commission.

31. The Chief Minister, West Bengal, **Dr. B. C. Roy** informed the Council that the State Plan had already been presented to the Assembly and he had pointed out to the Members of State Legislature that, if taxation and other resources could be increased, a Plan higher than what was agreed to by the Planning Commission, would be implemented.

32. The Chief Minister, Assam, **Shri B. P. Chaliha** discussing the total allocation for State Plans and the resources available to finance State Plans, stated that in spite of the gap in resources the total outlay on the State Plans need not be reduced.

33. The Deputy Chairman, Planning Commission, intervening at this stage, said that in spite of the gap of resources to finance the State Plans, the Plans of the States might remain at the levels agreed to. If additional resources were raised, the State should inform the Planning Commission and go ahead to implement the agreed plans.

34. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** referring to the suggestion made by the Chairman regarding electrification of rural areas, said that even if 15 or 20% of the power generated were distributed in rural areas the provision made for transmission in the State Plan would not be adequate. The cost of power generation in areas far removed from the coal-mines and where hydel power could not be made available was higher. To correct this imbalance, as in the cases of steel and cement, a uniform price for coal all over the country should be fixed. The tariff for power should also be more or less uniform all over the country. A nuclear power station might also be set up in Rajasthan. As regards provision of mid-day meals to poor school-going children, State Governments might have to share with panchayats or local bodies the cost of the mid-day meals and additional provision might have to be made for this scheme under the State Plans. He suggested that a high power committee should be appointed to go into the details of references which were being made to the Central Ministries and the Planning Commission for sanction of certain schemes and evolve methods for avoiding these references. He felt that the State Governments should be associated with the public sector activities at the Centre, so that they might be able to express their opinions on projects proposed to be located in different States. He mentioned that Rajasthan had introduced a scheme under which all students, who passed their high school or university examinations in the first division and the income of whose parents was below Rs. 3000 per annum, were being given scholarships for technical as also for college education. He suggested that the pattern of Central assistance being advanced for low income housing scheme should be provided for rural housing programmes and provision under the Plan for rural housing might be increased.

35. The Finance Minister, Madras, **Shri C. Subramaniam** wanted to know whether the size of the Third Plan was to be limited to Rs. 7500 crores as suggested in the agenda papers or a different figure was to be adopted. He referred to the fact that the figure of resources and outlay for the Second Plan had been successively raised from Rs. 3500 to Rs. 4800 crores. At the time of reappraisal there was a suggestion that it should be fixed at Rs. 4200 crores but ultimately it was fixed at Rs. 4500 crores. But now we are actually reaching Rs. 4600 crores. Taking the public and private sector together we have exceeded the target by Rs. 700 crores. In view of this experience a figure higher than Rs. 7500 crores could be fixed for the Third Plan.

36. The Union Finance Minister, **Shri Morarji R. Desai** intervened and said that if the rise in prices during the Second Plan period was taken into account the achievement of physical targets under the Second Plan was very much less, although in financial terms Rs. 4600 crores would

have been spent in the public sector.

37. The Finance Minister, Madras, **Shri C. Subramaniam** referred to the distribution of outlays in the public sector suggested in agenda paper 1 and said that power, transport and communications were essential sectore and the outlays under these should not be reduced. The outlay for State Plans, which had been arrived at after discussions with the Planning Commission and the Ministries should be retained as the difference between the outlay and resources available was not significant to warrant a cut in the State Plans.

Some of the investments in the private sector on luxury goods were not necessary and the amounts earmarked for them should be transferred to the public sector. Production of luxury goods created demands for them and reduced the capacity of the community to save. Investments in the private sector should be curbed so as to ensure resources for the public sector. The responsibility for industrial development should not be thrown on the coming generation by postponing investments in key industries. The present generation should undertake this responsibility and attempt to reach a specific stage of development. On the basis of his association with the First and the Second Plans, Shri Subramaniam considered that the investments and targets under the Third Plan were realistic and not over-ambitious.

38. The Union Finance Minister, **Shri Morarji Desai** said that although the Finance Ministry recommended Rs. 4,300 crores. Second Plan was fixed at Rs. 4,800 crores and it had soon to be cut down to Rs. 4,500 crores. We are now hoping to reach Rs. 4,600 crores but foreign assistance was turning out to be somewhat less than expected. We should be more careful in future. The present estimate of resources for the Third Plan was a most liberal one. To raise Rs. 7,500 crores would cause great stresses and strains on the economy. The foreign exchange content of the Third Plan was also on the high side. The World Bank officials considered that although the Plan with an investment content of Rs. 10,200 crores was what India should have but the external resources envisaged under the Plan would be very difficult to obtain. In view of this, it may not be possible to increase the outlay on the Third Plan, further. The availability of foreign exchange was the limiting factor. It was doubtful if more than Rs. 3,200 crores could be obtained by way of external assistance. If the target of outlay was raised that itself would come in the way of getting foreign exchange assistance, because people would think that we were not realistic. If a higher plan in the public sector was agreed to and actual expenditure fell short of the targets, that would be demoralising. The strategy should be to keep the Plan at a lower level and achieve more instead of having a bigger Plan and to achieve less. It would be an achievement if we could fulfil the Plan of Rs. 7,500 crores.

39. The Chief Minister, U.P., **Shri C. B. Gupta** agreed with Finance Minister, Madras, and said that it was not possible to reduce the outlay on the State Plans, below what had been agreed to. Referring to the contributions of the Railways, towards the resources for the Plan, he wanted to know why the figure of Railways' contribution had been reduced from Rs. 150 crores to Rs. 108 crores. U.P. was backward as compared to other States in the field of education, health and development of power and the State had to be brought to the level of other States. He urged that an additional Rs. 20 crores should be provided for the Uttarakhand area. The development of the frontier areas of U.P. was not a matter for the State Government alone to handle but should be given a special consideration by the whole country. As in the Second Plan, the Centre should continue to contribute 2/3rd of the expenditure on account of increase in the salary of low paid staff in the States.

The Council adjourned for lunch.

40. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** felt that the outlay on State Plans as agreed to should not be reduced. Referring to the high percentage of population of Adivasis, the general backwardness of the State and lack of industry and commerce in Madhya Pradesh there was a strong case for increase in the allocation for rural water supply and rural electrification under the State Plan. Additional provisions for these items could not be made by adjustments, because the burden of adjustments would fall on Social Services, the provision for which could not be reduced.

41. The Chief Minister, Mysore, **Shri B. D. Jatti** referred to the quality of iron ore available in Bellary district which could be exported. The development of Mangalore and Tuticorin as major ports should be included in the Third Plan. Arrangements should also be made for timely supply of fertilisers and iron and steel to all States.

42. The Chairman, intervened and said that, even if the Mangalore and the Tuticorin ports as well as the oil refinery in Gujerat, were not included within the Plan of Rs. 7500 crores, provisions would have to be made for them by adjustments as soon as these projects had been approved after technical examination.

43. The Chief Minister, Assam, **Shri B. P. Chaliha** also said that the ceiling for the State Plans agreed to after discussions with the Planning Commission should continue to stand and the difference between the ceiling of the Plan and the resources available should be left as an uncovered gap.

44. The Chief Minister, Andhra Pradesh, **Shri D. Sanjivayya** also expressed his agreement with other State Chief Ministers that the outlay for the State Plans should not be reduced.

45. The Chief Minister, Punjab, **Sardar Pratap Singh Kairon** referred to the figures of outlay for 1961-62 which had been communicated to the State by the Planning Commission and said that the proposed provision was lower than what the State had spent in 1960-61.

46. The Chairman stated that from the point of view of living standards Punjab was the most advanced State in India. It was a hard-working and industry-minded State and, could achieve whatever it undertook to do. Progress made by Punjab was an example to other States, who hankered after location of heavy industries. Although there was not a single large industry in the State, Punjab had made great progress. Ultimately, it would be agriculture and small industries and power that would raise the standard of living and not big industries which yielded results in the distant future.

47. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** suggested that the ceiling of the Plan should be raised to Rs. 8000 crores and the programmes included in it might be divided into two categories, the first priority schemes within Rs. 7500 crores and the second priority schemes within Rs. 500 crores.

48. The **Chairman** referred to his opening remarks about the physical and financial planning. Certain limitations about financial planning like the uncertainty of external aid had to be accepted. Adjustments for programmes like setting up of an oil refinery, which was very important after oil had been discovered and in the absence of which valuable assets would go waste, and for other projects like Mangalore and Tuticorin ports would have to be made. Physical planning could go ahead of financial planning, remembering always that the finances set the limit to it and adjustments have to be made from year to year. Provisions for merit scholarships for all deserving students were necessary, so that no one was denied the equality of opportunity for lack of funds and the financial

burden for scholarships should be accepted. In view of the existing disparity in educational facilities from prosperous families and those with poor means, it was necessary to ensure equality of opportunity and equality of social conditions it was essential that action should be taken by every State step by step, to remove the gap between the trained and the untrained by providing equality of opportunity for education and training.

49. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** referring to the broad phasing of outlays under the Third Plan that had been indicated to the States, pointed out that outlay of the order of 14.5% of the Plan allocations in the first year would not be proper and suggested a level of 16% for 1961-62. Rural electrification was essential for providing employment to the landless labourers in the villages, but in Maharashtra 95% of the Electric Supply Companies were owned by private companies and it was very difficult to persuade them to supply electricity in rural areas.

50. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** expressed the keenness on the part of States to be enlightened on the important aspects of Central Plan under railways, industries, housing etc. During the past ten years, the economy of the country had advanced significantly but symbols of progress like communications, railways etc. had not grown uniformly in various parts of the country. The benefits from the investments made in the public sector were being made use of by the private sector. He suggested that this question should be continuously examined and the National Development Council informed from time to time, so that the members of the Council could make their suggestions about it.

Chairman mentioned that a National Income Distribution Committee had been appointed by the Planning Commission and was currently studying some of these matters.

51. **Prof. P. C. Mahalanobis**, Member, Planning Commission pointed out that the matters mentioned by the Chief Minister, Maharashtra, did not fall within the scope of the Committee on Income Distribution.

52. The **Chairman** expressed the view that the National Development Council should be kept in complete touch with planning of industries at the Centre. He suggested that the Union Ministers of Railways, Transport & Communications, Commerce & Industry, Steel, Mines & Fuel, and Housing might place before the Council the salient features of the Third Plan pertaining to their Ministries. The question regarding the contribution by the Railways in the development of a particular State in a manner which would lead to increased production and distribution should also be studied. There was the complaint from the people of South India that they had not got enough of Railways because during the past, for strategic reasons. Railways had been developed in Northern India. Under the Third Plan, the programme of Railways' development was directly connected with industrial projects and it was not possible to meet the demands from Southern States. A request had also been received from Jammu & Kashmir for a railway line from Pathankot to Jammu. There was need for railways in Assam on purely strategic considerations.

53. The Finance Minister, Madras, **Shri C. Subramaniam** suggested that subject to availability of resources various proposals made in the Council might be included in the Third Plan.

54. The Union Finance Minister, **Shri Morarji R. Desai** said that the items mentioned would be examined from time to time and if they were considered important they would be taken up.

55. The **Chairman** explained that the physical plan could go up to Rs. 8000 crores due to reasons already discussed but, on the basis of the present knowledge of resources, the amount that could be spent was limited to Rs. 7500 crores. This matter would, however, be considered

frequently, every six months or every year, and the programmes adjusted according to priorities.

56. The Union Finance Minister, **Shri Morarji R. Desai** referring to the comment of Chief Minister, Maharashtra, regarding the outlay for the year 1961-62, pointed out that only the Central assistance for the year had been indicated. If the States raised more resources in the first year they could increase the outlay for the year.

57. Discussion on the outlays for State Plans under the Third Plan followed. The State Chief Ministers emphasised that the State Plans, as agreed to after discussions with the Planning Commission, should not be subjected to any cut. Deputy Chairman, Planning Commission was requested to draft a resolution for the National Development Council, keeping in view the suggestions made by the Chief Ministers of States and in consultation with the Chief Ministers of Maharashtra, Gujarat, Rajasthan and the Finance Minister, Madras.

58. The Chief Minister, Orissa, **Dr. H. K. Mahatab** pointed out that several foreign firms were interested in making certain investments and referred to the proposal received from an Italian firm which wanted to purchase iron ore and was prepared to put up railway lines. If such schemes were accepted, it might be possible to save foreign exchange to some extent.

59. The Chief Minister, Kerala, **Shri P. T. Pillai** wanted to have an idea as to what happened when a State Government forwarded the application from the private sector for a manufacturing licence.

60. The **Chairman** explained that applications received from private persons had to be carefully considered, particularly in the light of the experience in the early years of the Second Plan when licences were granted liberally and a serious foreign exchange crisis was created. While licensing new lines of production, it was necessary to keep in view whether new wants for luxury goods would be created as a result thereof. Production of luxury goods was to be discouraged. Rural electrification, besides creating conditions of growth for industry, resulted in social consequences of far reaching character. It pulled out a static society into a more dynamic one and these factors must be borne in mind. He emphasized that the State should give a push to the manufacture of agricultural implements, because the private sector had been proceeding very slowly in this field.

61. The difficulty regarding supplies of iron and steel for the manufacture of agricultural implements was pointed out by some State Chief Ministers. Union Minister for Iron and Steel explained that in future there would be no difficulty about the supply of those categories of iron and steel which went into the production of agricultural implements.

62. The Union Food & Agriculture Minister, **Shri S. K. Patil** pointed out that the Ministry of Food and Agriculture had proposed starting a workshop in each State for the manufacture of agricultural implements. The biggest bottleneck in the progress of the programme might be transport of raw materials in time by the Railways.

63. The difficulties of obtaining supplies of steel were pointed out by a number of State Chief Ministers. The Minister for Iron and Steel (Shri Swaran Singh) reiterated that though there were certain difficulties about the supply of steel in the past, these were not likely to continue because of the easing of the supply position. It was likely that in the near future the pressure of demands from States for the quota of steel for agriculture, which tended to be diverted to other uses, might disappear when the price of steel was normalised in the market. During the course of discussion, quantities of iron and steel supplied for agricultural purposes in the past two years were quoted which indicated

that the supply had been decreasing.

64. The **Chairman** pointed out that there should be complete understanding between the Ministry at the Centre and the States regarding the supply of iron and steel and the demands from States should be met before those of the private dealers.

65. The **Chairman** drew attention of the Members of the Council to the agenda items 2 and 3 which had been circulated for information and the meeting adjourned for the day.

Morning session : January 14, 1961

66. The **Chairman** informed the Council that on the morning of the 14th January, 1961 at 1.32 a.m. the second Reactor became critical. The nuclear programme was meant for peaceful purposes and India ruled out the use of any nuclear weapon. It was, however, possible to make nuclear weapons in India if we directed our energies to that end. But under no circumstances India would do so. The production of nuclear weapons was spreading in the world. It was possible that China might do so. With the atomic base that India had created and which was strong and wide enough, it was possible for India to produce nuclear weapons in two or three years. It was getting relatively easier, though a little expensive, to make nuclear weapons. If in the new developments which were taking place in the international field a stage arose when a number of countries could make nuclear weapons or get them, the control of nuclear weapons would become exceedingly difficult. It was, therefore, necessary to come to some kind of world agreement to check the spread of nuclear weapons, but no such agreement could be effective unless China was there.

67. The Resolution (Annexure I) on the outlay in the Third Five Year Plan—Centre and States, drafted by the Deputy Chairman, Planning Commission, in consultation with Chief Ministers of Maharashtra, Gujarat and Rajasthan and Finance Minister, Madras, was adopted by the Council.

68. The Finance Minister, Madras, **Shri C. Subramaniam** pointed out that the decision taken meant that the Plan had to be exhibited by the States as agreed upon, but it was to be understood that resources were not available to implement it. Additional resources to finance the gap between physical programmes of Rs. 8,000 crores and financial limit of Rs. 7,500 crores need not necessarily come from additional taxation. What was meant was that there should be greater efforts in promoting savings and creating the necessary atmosphere for saving. This had not been done properly during the Second Plan and the rate of savings had increased by only 1 per cent in the Second Plan period. Unless greater efforts were made during the Third Plan period to mobilise savings and made savings available for investment, even the financial target of Rs. 7,500 crores for the Third Plan might not be reached. The collection of an additional amount of Rs. 500 crores did not necessarily mean proposal for additional taxation. There should be greater effort in the field of savings. He, therefore, suggested the appointment of a small Committee, which would go into the problem of savings and make recommendations to the Council. Unless sufficient importance was riven to the matter and every method tried for the creation of savings, we would go on drifting during the Third Plan.

69. The **Chairman** considered the suggestion of Finance Minister, Madras, very desirable. It was necessary that a fresh impetus should be given to savings. If a special Committee were to be appointed, it would draw people's attention to the problem of savings and new ideas for collection of savings would also come up.

70. During the course of discussion on mobilisation of savings, references were made to the

production and taxation of luxury goods and the policy of licensing manufacture of such goods by a number of Chief Ministers.

71. **Shri V. K. Krishna Menon**, Member, Planning Commission referred to the proposal for manufacture of carpets on a large scale by mechanical processes to meet the demand and said that licence should not be granted for the manufacture of carpets etc. in the mill sector.

72. The Minister for Industries, **Shri Manubhai Shah** pointed out that a wrong impression had been created about the licensing of industries for manufacture of luxury goods and assured the Council that the Ministry of Commerce and Industry was very careful about industrial licensing. Barring a few luxury goods industries, which might have been in existence before Independence, no new licences for manufacture of luxury goods had been issued.

73. The Finance Minister, **Shri Morarji R. Desai** pointed out that in some people's view the manufacture of small cars would be considered a luxury.

74. The Minister for Industries, **Shri Manubhai Shah** said that in some people's view the transistor radio sets would also be considered a luxury goods but it was important that an objective approach were taken for licensing the manufacture of such articles.

75. **Shri Shriman Narayan**, Member, Planning Commission questioned the propriety of licences being granted for the manufacture of articles like rayon, refrigerators, air conditioners, people's cars and chocolates and pointed out that manufacture of these goods created new demand.

76. The Union Finance Minister, **Shri Morarji R. Desai** stated that all the rayon goods were not used by the richer people and if the production of rayon was stopped the country would require much more cotton than was available. The production of rayon was not completely superfluous. Chocolates were needed by children and it was not proposed to deprive the children of them. Nobody wanted the children to be ascetics. Transport was a serious problem in the country and if small cars were manufactured within the country it would solve the transport problem to a great extent. Investment on small cars was well worth.

77. The Minister for Industries, **Shri Manubhai Shah** explained that the ratio of production per acre of cotton for cloth and of wood or bamboo for rayon was about 1 : 5 and every country was supplementing its cloth production by production of rayon. To meet greater demand for cloth, the area under cotton could not be increased indefinitely. As regards the manufacture of chocolates, Cadbury's was the only factory which was producing chocolates from imported cocoa. The quantity of imported cocoa had, however, been considerably reduced. The transport in India was fast on the increase and the prices of the cars already being manufactured were very high. Wherever the Ministry of Commerce & Industry had proposed to the automobile manufacturers for a reduction in the price of cars, they came forward with proposals to increase the prices instead. If manufacture of small cars was licensed, this would surely bring down the price of cars already being manufactured. The manufacture of small cars, costing about Rs. 6,000 or Rs. 6,500, should be encouraged in the public sector. Foreign exchange of the value of Rs. 42-43 crores was being used per year for the manufacture of automobiles in the country, but for the manufacture of small cars the requirements of foreign exchange would be to the tune of only Rs. 2 crores per year.

78. The Union Finance Minister, **Shri Morarji R. Deasai** pointed out that the foreign exchange of Rs. 42-43 crores for automobile industry was also inclusive of the requirements for the manufacture of lorries and buses.

79. The Minister for Industries, **Shri Manubhai Shah** stated that exclusive of the requirements

of foreign exchange for the requirements of lorries and buses Rs. 12 crores were required for the manufacture of cars. For the manufacture of automobile industry, during the Third Plan, investment of the order of Rs. 68 crores was required. For the manufacture of small cars, the total investment would be Rs. 4½ crores. India might also be able to export small cars not at a very distant date. The capitalistic countries like West Germany and France were also manufacturing small cars in the public sector.

80. The Union Finance Minister, **Shri Morarji R. Desai** said that it was not the amount required for capital investment and foreign exchange which should be the determining factor for taking up the manufacture of small car. There were a number of demands on the public sector and the relative priorities should be considered.

81. **Shri T. N. Singh**, Member, Planning Commission pointed out that there was scope to be very strict in the licensing of industries, particularly in the consumers goods sectors. The National Development Council was not the proper forum to discuss the merits of individual industry like the small cars. There was need for developing within the country industries based on various organic products like newsprint, but experts on forestry had advised the Government that unless something radical was done to expand the forest resources we would be facing a great difficulty in the industrial sector. In regard to consumer goods industries, priorities had to be settled and it might be necessary to forego production of a number of items including small cars if it became necessary. The demands of the higher and middle classes should not determine the lines of production. The controversial subject of industrial licensing and manufacture of cars etc. should be avoided in the Council.

82. Shri T. N. Singh supported the suggestion made by Finance Minister, Madras about the setting up of a Committee on Savings and further suggested that the questions of best investment methods, resources, foreign exchange etc. should also be considered by the Committee.

83. The Chairman suggested that a Committee on Savings should be appointed, but the scope of the Committee should not be too large. After some discussion on the subject the Resolution given in annexure II on the appointment of the Committee was adopted.

84. The Chairman requested the Minister for Iron and Steel (Sardar Swaran Singh) to give his assessment of the steel situation.

85. The Minister of Iron and Steel, **Sardar Swaran Singh** said that the problem of steel had two aspects. One was production and the other distribution. Most of the criticism about the supply of iron and steel was about the faulty functioning of controlled distribution, allocations etc. On the basis of production of saleable steel in December 1960, saleable steel of the order of 3 to 3½ million tons would be available during 1961-62. This was much larger than the consumption of steel over the last 8 or 9 years. The country was passing through a period of transition so far as the availability of steel was concerned and would be shortly switching over to a new phase of easy availability. The Government had recently issued orders about abolishing of quota allocations etc., and except for two or three categories, the State Governments would be able to place orders for their requirements directly on the producers and had only to inform the Iron and Steel Controller. The position of supply of steel would improve further in another six months. In future no serious difficulty in the movement of steel was anticipated as the Railways were quite enthusiastic about meeting the demand on them. The target for the production of steel under the Second Plan had been fulfilled in the sense that the production capacity had gone up to 6 million tons. The achievement of production capacity did not, however, necessarily imply that production of that order would start immediately since it took two to three years for the actual production to catch up the rated capacity.

86. The Finance Minister, Madras, **Shri C. Subramaniam** referred to the target of steel laid down in the Second Plan and said that it was not the object to create production capacity but to achieve a production level of that order and, therefore, the target for the production of steel was not achieved.

The Minister for Iron and Steel referred to the time required from the planning stage to the production stage of a steel mill and also to be the training of a 'steelman' and said that the position was reasonably well in hand and it was not correct to have an impression that there was any thing faulty in planning etc.

87. The **Chairman** intervened and pointed out that besides the technical aspect of production, the organisational side, for example transport etc., also required constant attention. One million ton steel production placed a transport strain of about 7 million tons by way of movement of iron ore, lime stone, coal and other raw materials and transport of finished products and bye products from the plant. The experience in the line of steel production led to the conclusion that the period of essential preliminaries like construction, water supply, supply of power etc. should be reduced. Preliminaries should start without waiting for a detailed approval.

88. On an enquiry regarding the realistic target of production of steel under the Third Plan, the Minister for Iron and Steel said that a production capacity of 10 million tons would be created and the expectation was that 7 million tons of saleable steel would be available. The planned expansion of the existing plants would take comparatively shorter time and it was expected that the production in the expanded plants would catch up the rated capacity at the end of the Third Plan period. By the end of 1958, 1.6 million tons of finished steel were being produced in the country and in 1959-60 its production increased only by 0.2 million tons to 1.8 million tons. By the end of 1960 the production would be 2.2 million tons. Production of steel would lead to a saving of foreign exchange of the order of Rs. 100 crores.

89. In reply to a question the Minister for Steel said that the additional production of steel during the Third Plan would be entirely from the public sector because the private sector had not shown any interest in the expansion of their production capacity. With a view to encouraging the production of pig iron in the private sector in different parts of the country other than the steel and coal belt of West Bengal, Bihar, Madhya Pradesh and Orissa, the Government would encourage the setting up of a small unit for the production of pig iron. A unit with a capacity of one lakh ton of pig iron had been sanctioned for Maharashtra. The Government was also encouraging the establishment of small electric furnaces to produce steel from scraps and restrictions on setting up of small re-rolling mills and small electric furnaces had also been relaxed.

90. The Chief Minister, Kerala, **Shri P. Thanu Pillai** enquired about the arrangements of steel being made available to the remote parts like Kerala. In reply the Steel Minister stated that in view of the easy availability of steel the necessary solution lay in special movement programme to train loads.

91. The Chief Minister, Kerala and Finance Minister, Madras raised the question that if the private quota holders refused to lift their quotas within 90 days, the State Governments should be given the option to take it over. The Minister for Steel pointed that the State Governments had already this option. A Committee had also been constituted with the Iron and Steel Controller as the Chairman to go into the distribution system.

92. The Prime Minister of Jammu & Kashmir, **Bakshi Ghulam Mohd.** pointed the difficulties he had to face in obtaining small quantity of steel plates and G.I. wires required for the Muhara power

house. The State Governments could not get the supplies from the Iron and Steel Controller, but enough was available in the black market. Finance Minister (Madras) also pointed out that enough steel was available in the black market and there was something wrong in the distribution system which should be looked into. The Minister for Steel, Mines & Fuel agreed to look into this specific case.

93. Regarding the production of coal, the Minister for Steel, Mines & Fuel, **Sardar Swaran Singh** explained that out of the target of additional production of 22 million tons of coal under the Second Plan, 12 million tons were to be produced by the public sector and 10 million tons by the private sector. According to the latest estimates of production it was anticipated that target of total production of 60 million tons under the Second Plan was likely to be fulfilled in the first year of Third Plan. But as regards delivery of coal at the consuming centres the position depended entirely on movement of coal by the railways. There was, however, difficulties in the supply of coking coal.

94. The Finance Minister, Madras, Chief Minister Punjab and Development Minister, U.P. pointed out the difficulties of obtaining coal, particularly brick burning coal, in their States which was seriously affecting production. They stressed that some thing by way of regular supply of brick burning coal should be done.

95. The Minister for Steel, Mines and Fuel, **Sardar Swaran Singh** stated that brick burning coal was the easiest to produce but the main bottleneck was its transport. This was because brick burning coal had a very low priority in respect of transport. The highest priority for the purpose of movement was given to meet the requirements of steel plants, next in priority was the demand for power houses all over the country, followed by actual users and lowest priority was for brick burning coal.

96. The Finance Minister, Madras, **Shri C. Subramaniam** enquired whether the recent press reports about the fall in the production of Sindri Fertiliser Factory due to the shortage of coal were correct. The Minister for Steel, Mines & Fuel (Sardar Swaran Singh) stated that as against the requirements of 30 thousand tons of coal for Sindri, 24 thousand tons were supplied. Balance of the quantity was also supplied, but it was considered by experts to be not of the right quality. This matter had been under discussion and satisfactory arrangements had been made. As regards the supply of coking coal the difficulty was likely to continue for about another 18 months till the coal washeries being set up went into production.

97. The Minister for Oils, **Shri K.D. Malviya** pointed out that 6.5 million tons of crude oil were being annually consumed in the country. Of this only .5 million tons were being produced indigenously. Besides the crude oil, India were importing about 1.9 million tons of petroleum products. India would continue to import marginal quantities of petroleum products even though enough oil was discovered and the requisite refineries established in the country. The estimates of consumption of petroleum products by the end of Third Plan period as made by the Planning Commission and the Ministry ranged between 10 to 14 million tons. On the basis of present estimates there were extractable reserves of 60 million tons of oil in the areas being operated by the Assam Oil Company in which Government owned l/3rd share. Oil had also been discovered in the Cambay and Ankleshwar areas and the reserves were estimated at about 55 million tons. Oil might also be discovered in Gujarat at places other than Cambay and Ankleshwar. Explorations were being carried out by O.N.G.C. independently in Assam and oil had been struck at Desra. Discovery of oil at Cambay and Ankleshwar had been done in a record time. Search for oil was going on at 8 other places in Gujarat. There was possibility of oil being found in North Zone, particularly in U.P. and Punjab. Some advance work was going on in Punjab and the results would be known in a couple of

years. On the basis of data available about 8 to 9 million tons of oil might be produced by the earlier stages of the Fourth Plan. The explorations in Jaisalmer area in Rajasthan were intricate and expense involved was four times more than in Gujarat and Punjab. The Government was looking forward to some arrangements with a foreign firm for exploration in Jaisalmer area but it would take some time more for further exploration to be started. Exploration for oil in the Tejpur area in Assam was not included in the present programme because of the expenses involved.

98. Two refineries, one in Assam and one in Bihar, had been planned. The Gauhati refinery was scheduled to produce 75 million tons and the Barauni refinery about 2 million tons. The Government was planning to establish one refinery somewhere in Gujarat with a capacity of about 2 million tons. Taking into account the capacity of refining, it was hoped that at the end of the Third Plan, it would be possible to refine about 8 to 9 million tons a year within the country out of an estimated demand of 10 million tons. The Government had been spending about Rs. 100 crores of foreign exchange annually on the import of petroleum products about two years back. The foreign exchange expenditure had gone down to about Rs. 85 crores mostly due to the fall of prices of oil abroad.

99. During the past ten years Rs. 28 crores, which included Rs. 5 crores on account of committed expenditure, were spent on oil exploration by O.N.G.C. Of the development expenditure of Rs. 23 crores, Rs. 12 crores were on operation and organisation and Rs. 11 crores on capital investment accounts. Three oil fields had been discovered. Some foreign parties had shown interest in the search for oil and the request was under consideration. In reply to a question regarding the training of personnel, the Minister for Oil pointed out that the training of personnel was not quite satisfactory. The training had to be restricted because of our administrative requirements. Persons trained, say in drilling, could not be absorbed anywhere else. Therefore, there was need for appointing every driller that was trained. Within the next 2 to 3 years, however, complete self-sufficiency would be achieved in regard to the personnel required. As against the 300 foreign experts who were appointed at the beginning of the programme of exploration there were only 50 or 55 at present. After some time the percentage of exploration experts would come down further.

100. In reply to a question from Chief Minister, Assam regarding the product pipeline, the Minister for Oil said that the idea was attractive and economical and would relieve the pressure on railways for transporting petroleum products. The Government was planning to have a net work of pipe lines throughout the country.

101. The Geological Survey of India which was concerned with the search for minerals had expanded more than 6 times and Government had discovered new deposits of iron ore, silemenite, copper and some other metals. In the last 8 or 9 years, 15 million tons of iron ore of very good quality had been discovered. Good work had been done in Rajasthan so far as the Khetri Copper was concerned. In less than 2 years sufficient quantity of copper ore reserves would have been proved to provide copper ore for a 10 thousand tons smelters for 30 years. In Kangra Valley the search for non-ferrous metals had started and the results were encouraging. Search for coal, oil, non-ferrous and other base metals was going on in Kashmir. Coal had already been discovered. A note on the programme and progress in the search for mineral resources which was under preparation would be circulated to the State Chief Ministers.

102. Minister for Railways, **Shri Jagjivan Ram** reviewed the progress of railways during the Second Plan and pointed out that out of the plan target of 162 million tons of goods traffic the railways expected to carry 154 million tons. There had also been some unplanned movement of traffic by the railways like lime stone from Assam for steel works and movement of iron ore. The

targets would have been achieved but for the strike and unprecedented floods.

103. The railways were expected to move only 51 million tons of coal. The target for movement of coal could have been fulfilled but for the larger distances and higher ton mileage of the coal carried. There had been some difficulty about the movement of steel during the last two months and stock had accumulated but this was due to the difficulty of production of rails within the country which did not keep up to the schedule and the rails had to be imported. This took time and involved large scale movement from ports to work sites. The railways would be able to clear the products of the steel projects. The movement of brick burning coal had a very low priority and transport of brick burning coal would be difficult for some time. To improve matters a line to avoid Mugalsarai was under construction and transport of coal to north and west would improve when this line was completed in 1962. In the past whenever the difficulty to transport brick burning coal was brought to the notice of the railways prompt action was taken. Recently two train loads had moved to Punjab and similarly action was also being taken for supply to U.P. The solution of difficulty regarding movement of coal lay in the construction of dumps at convenient points from which coal could be carried to centres of consumption by road transport.

104. The railways had planned a 15 per cent increase by the end of the Second Plan period to meet the requirement of passenger traffic. Actual increase had turned out to be about 25 per cent. 15 per cent increase for passenger traffic was also contemplated under the Third Plan and there would be no foreseeable reduction in congestion either in the suburban or non-suburban passenger traffic. A target of 243 million tons of goods traffic had been fixed for the Third Plan. A three per cent increase had been allowed for miscellaneous traffic. The railways would not be able to move all the traffic generated because the estimates of increase made by the railways were higher than that of the Planning Commission.

105. **Shri T. N. Singh**, Member, Planning Commission pointed out that the Planning Commission had projected increase in traffic on the basis of past experience.

106. The Minister for Railways, **Shri Jagjivan Ram** said that the construction of new railway lines had been based on the traffic to be generated and the new lines would be related to specific projects. The railways wanted to construct 2000 miles of new lines, of which 1200 miles were already sanctioned. Railways wanted to construct a few hundred miles of new lines to satisfy political and social requirements and economic development but the Planning Commission had not agreed to more than Rs. 120 crores being provided for new lines under the Third Plan.

107. In reply to a question from Prime Minister, Jammu & Kashmir, the Minister for Railways pointed out that nothing had been done in the Second Plan but during the Third Plan it was proposed to extend the railway line from Pathankot to Kathua. The Prime Minister, Jammu & Kashmir pointed out that this would not help the State very much and the line should be extended up to Jammu.

108. The Finance Minister, Madras, **Shri C. Subramaniam** pointed out the disparity of coal prices between different regions in India and suggested that a uniform price for coal be fixed for the country. This proposal was supported by a number of Chief Ministers.

109. The Minister for Steel, Mines & Fuel, **Sardar Swaran Singh** stated that this issue had been considered a number of times. In view of large operations involved in widely spread areas of coal production and the strain on industries which had already been located near the coal areas, introduction of a uniform price for coal would not be a right policy.

110. The Member, Planning Commission, **Shri T.N. Singh** pointed out that Mudaliar Committee

appointed by the railways had gone into this issue. The actual and practical difficulties involved were so many that price equalisation did not seem to be a practicable proposition.

111. The Minister for Transport and Communications, **Dr. P. Subbarayan** referring to the allocation for ports and harbours under the Third Plan, pointed out that the construction of the Ganga Barrage had become necessary to keep the Calcutta port alive. Besides, to meet the trade requirements of the eastern region, a subsidiary port at Haldia with at least 34 ft. draft was also essential. Development of Tuticorin and Mangalore into major ports should be provided for under the Third Plan in the interest of coastal shipping of coal, salt, etc., and export of iron ore.

112. The Minister for Railways, **Shri Jagjivan Ram** pointed out that the cost of transporting coal by coastal shipping was higher than by rail. The coal which was being sent to Southern India by coastal shipping was being used by railways and the coal transported by rail was being supplied to industries. This was costing the Southern Railways an extra Rs. 3 crores and was being done merely to maintain the coastal shipping in national interest.

113. The Deputy Chairman, **Shri G.L. Nanda** pointed out that in contributing the economics of transporting coal by rail, account should also be taken of the other freights which would substitute coal in railway traffic. This would give the Railways a much higher return.

114. The Minister of Transport & Communications, **Dr. P. Subbarayan** referred to the report of the World Bank Mission which lay emphasis on the development of coastal shipping and willingness of the Bank to advance loans for the purpose. Referring to Tuticorin Port, he said that if the Port was developed as a lighterage port, it would cost Rs. 2½ crores. If the Tuticorin port was developed into a major one, this money would be saved because introduction of lighters was not the right solution.

115. Referring to the 50 per cent increase in the demand for telephone facilities since independence the Minister for Transport & Communications urged for additional provision. The cost of providing telephone facilities to the railways in connection with the electrification programme estimated at Rs. 11 crores should be met from the provisions under the Railway Plan. If the pending demands for telephones were to be met, the funds required for providing telephone facilities to the railways could not be met out of the provisions made for telephones under the Third Plan.

116. The Minister for Railways, **Shri Jagjivan Ram** pointed out that it was not possible for the railways to find funds for the provisions of telephone facilities and if the Railways were to do so they would have to cut down other programmes.

117. The Minister of State for Transport & Communications, **Shri Raj Bahadur** said that there was not much disparity between the freights for coal by coastal shipping and by railways. The question at issue was whether coastal shipping should exist or not. Tonnage of Indian shipping increased from 3 lakh GRT to 6 lakh GRT under the First Plan and from 6 lakh GRT to 9 lakh GRT under Second Plan. By the end of Third Plan it would increase to 11 lakh GRT. There was pressure from Parliament and shipping companies etc. that the target under shipping should be increased and more funds than were contemplated under the Draft Third Plan should be provided. The provision under the Third Plan for roads was considered inadequate and a case made out for its increase. The intensity of traffic on roads was increasing fast, and it was necessary to provide the roads. There were certain sectors like Nasik-Bombay, Bombay-Poona, Calcutta-Durgapur, Madras-Bangalore, where there was severe congestion of traffic and the number of accidents was increasing. If heavy road vehicles were allowed to ply on the roads there would be great economy in the cost per ton mile of freight. The cost per ton mile by a 6-ton carrier was about two annas which would be reduced by 43 per cent if a 10-ton carrier was allowed to ply. This would decrease further if 18-ton

carrier were permitted. Cheap road transport would reduce the cost of production in many industries. The cost on wear and tear of tyres and motor part, which were short in supply and fetched black market prices would also be less. Permitting heavy vehicles would, however, necessitate stronger bridges, culverts and widening of roads. Referring to the need for higher provision for national highways it was pointed out that in the network of roads, out of the 150 river crossings, 77 rivers still remained without bridges. There was the requirement of improving 55 per cent of the national highways into two-lane carriage-ways. Even after the Third Plan 33 rivers would remain un-bridged. Village roads carried civilisation to rural areas. Railways could not cater to the transport requirements of every village because they did not stop at all points.

118. The Chief Minister, West Bengal, **Dr. B.C. Roy** explained the Village Road Development Cooperative programmes in West Bengal and suggested that if Central and State Governments and the local people could combine for the development of road system it would give a great fillip to the development activity.

119. The Minister for Works, Housing & Supply, **Shri K.C. Reddy** referred to the estimates of requirements of urban and rural housing as made by the Working Group on Housing and Urban Development and pointed out that there was a deficit of 8 million houses in the urban areas against which only 2 million houses would be constructed under the Third Plan. The deficiency would increase to about 10 million houses at the end of the Third Plan. A small beginning had been made to improve the conditions of rural housing but considerable effort was required to come to grips with the problem. Comparing the patterns of assistance for industrial housing, slum clearance and rural housing, liberal patterns of assistance were justified for rural housing. Much remained to be done to solve the housing problem and higher allotment for housing under the Third Plan were necessary. State Governments should do more on housing particularly in view of the easy supply of steel, cement and other building materials in the coming years. It was not possible to work out the total expenditure involved on housing by all agencies of the Government like the railways, defence, etc. and industrial housing but attempts were being made to put together the figures of expenditure on housing. According to rough estimates available, the total outlay on housing under the Third Plan might be of the order of Rs. 400-500 crores in the public sector but whatever money was provided under the Third Plan for housing it would not be sufficient to meet the problem. The recommendations of the Housing Ministers' Conference at Udaipur were quoted for making additional provision for housing under the plan.

120. The Minister for Commerce & Industry, **Shri Lal Bahadur Shastri** said that a target of production capacity of one million tons of fertilisers had been fixed for the Third Plan as against the present production capacity of the order of 1.58 lakh tons. The factories at Nangal, Neivelli and Rourkela were under construction and the capacity of FACT in Kerala was being doubled. It was expected that all these factories with a production capacity of 2.5 lakh tons, would be completed by 1962-63 raising the production capacity to about 4 lakh tons. For the production of balance of 6 lakh tons, schemes, both in the public and the private sectors, were under consideration. In the public sector, factories were likely to be set up at Naharkatia, Durgapur, and in Gujarat and U.P. Further expansion of the FACT in Kerala was also under consideration. The capacity of the projects under consideration was of the order of 6 lakh tons. The Minister for Commerce & Industry was confident that the target of one million tons laid down under the Third Plan would be achieved. It did not appear to be an easy task but concentrated efforts were being made in putting up these plants and starting production in time.

121. In reply to a question from Finance Minister, Madras, regarding the annual phasing of

production, the Minister for Commerce & Industry said that the Nangal project would start production in February, 1961 and the expansion of the FACT would be completed in 1961-62. The factories at Rourkela and Neivelli would be completed in 1962-63. The current demand of fertilisers was of the order of 4½ lakh tons and the country would be producing by 1962-63 about 4 lakh tons. The demand was, however, likely to increase. It took about three years to complete a fertiliser project and as immediate start was contemplated on the projects being considered for the Third Plan, in about 4 or 5 years time the target of production capacity would be achieved.

122. In reply to a question regarding the quantity of fertilisers imported and the demand for fertilisers in the country, the Minister for Food and Agriculture, **Shri S.K. Patil** said that 80 per cent of the demand for fertilisers was being met and next year 90 per cent of the States requirements would be supplied. The targets of additional agricultural production could not be achieved without adequate supplies of fertilisers and hence the need to accelerate the setting up of fertilisers factories.

123. In reply to a question from Chief Minister, Madhya Pradesh, the Minister for Commerce & Industry said that the question of setting up of the fertilisers plants in Rajasthan, Madhya Pradesh and Andhra in the private sector was under consideration and some of the important schemes were likely to be sanctioned within the next few days.

124. Referring to the controversy about the production of small cars in the country, the Minister for Commerce and Industry said that the country should go ahead with this programme and provide quick transport facilities to the people. The production of small cars was essential and the investment and foreign exchange involved were not much. Providing a car costing about Rs. 5500 would be a boon to the middle class people. He could not be a party to the exclusion of a small car project from the Third Plan in the name of economy. The manufacture of watches and small cars had to be done in order to save foreign exchange. Normally, the Commerce & Industry Ministry did not issue licences for setting up of an industry for which raw materials had to be imported in substantial quantities. The Ministry was considering to make it a rule and draw up a list of industries to which licences should not be issued without proper security. This decision had been reached after a very careful consideration.

125. In his concluding remarks, the **Chairman** thanked the Chief Ministers and said that the draft report of the Third Plan would be considered at the next meeting of the National Development Council.

ANNEXURE I

NATIONAL DEVELOPMENT COUNCIL

Outlay in the Third Five Year Plan—Centre and States

The National Development Council considered the Planning Commission's report on discussions relating to the Third Five Year Plan with the State Governments and the Central Ministries since the completion of the Draft Outline in June, 1960. The Draft Outline had suggested certain directions in which it was necessary to improve and strengthen the proposals for the Third Plan. These suggestions have been taken into consideration in working out the details of the plans under different heads.

The National Development Council noted that in the light of the recent discussions with the Planning Commission, the total outlay under the plans of States and Union Territories was expected to be Rs. 4018 crores, of which the plans of States accounted for Rs. 3847 crores. The Planning Commission has not yet completed its discussions with all the Central Ministries. In preparing the Third Five Year Plan, the broad industrial plan, including power, transport, scientific research and technical education is being envisaged as a continuous and integrated process and programmes of development in these basic fields are being approved as a whole. It is proposed that the implementation of these programmes should proceed in a connected manner in accordance with the scheme of priorities and within the external and internal resources actually available. Every effort will, therefore, be made to initiate and complete within the shortest time schemes which are vital for development and which will themselves be the means for adding to the resources.

In agriculture, small industries, social services and cooperatives, there is scope for attracting a great deal of local community effort and public participation, and it is considered that the effort should be related to the capacity for implementation and should not fall below the minimum needs of the country.

Keeping these various aspects in view, the National Development Council considers that, in physical terms, the plans drawn up for the Third Five Year Plan should be somewhat larger in size than the present estimate of financial resources. The Council envisaged that the total outlay relating to the physical programmes to be included in the Third Plan might be of the order of Rs. 8000 crores. This would include a total outlay of Rs. 3847 crores for the plans of States, Central assistance for which was estimated at Rs. 2431 crores.

The National Development Council further noted that the estimate of resources for the public sector, which was placed at Rs. 7250 crores in the Draft Outline, had since been revised to Rs. 7500 crores. While the actual resources available will depend necessarily upon the progress made in realising the targets of the Third Plan, specially in agriculture, savings and taxation, and on other factors such as foreign exchange, the actual expenditure had necessarily to be limited to the resources now in sight. Thus, as against proposals for the Centre and the States, which might together entail a total outlay of the order of Rs. 8000 crores, at present the financial limit should be placed at Rs. 7500 crores, of which Rs. 3725 crores would be available for the plans of States. The position will be kept under review, and every effort will be made to mobilise the nation's resources to the greatest extent possible and to provide for the implementation of the various programmes of the Centre and the States through annual plans.

ANNEXURE-II

NATIONAL DEVELOPMENT COUNCIL

In view of the great importance of mobilising savings and thereby augmenting resources for the Third Five Year Plan, the following Committee is appointed to consider all aspects of the subject and to report to the National Development Council :

1. Shri Y. B. Chavan,
   Chief Minister, Maharashtra.

2. Shri M. L. Sukhadia,
   Chief Minister, Rajasthan.

3. Shri C. Subramaniam,
   Finance Minister, Madras.

4. Shri K. P. Tripathi,
   Planning Minister, Assam.

5. Shrimati Tarkeshwari Sinha,
   Deputy Minister of Finance.

6. A representative of the State Bank of India.

7. A representative of the Planning Commission. —(Convener)

The Committee may co-opt a representative of the Life Insurance Corporation and such other Members as may be necessary.

The office of the Planning Commission will assist the Committee in its studies.

PARTICIPANTS

PLANNING COMMISSION

1.	Shri Jawaharlal Nehru	Chairman
2.	Shri G.L. Nanda	Deputy Chairman
3.	Shri Morarji R. Desai	Member (Finance)
4.	Shri V.K. Krishna Menon	Member (IT & D)
5.	Shri C.M. Trivedi	Member (NR)
6.	Shri Shriman Narayan	Member (Agriculture)
7.	Shri T.N. Singh	Member (Industry)
8.	Shri A.N. Khosla	Member (Education)
9.	Prof. P.C. Mahalanobis	Member (PP)
10.	Shri S.N. Mishra	Deputy Minister of Planning
11.	Shri L.N. Mishra	Deputy Minister of Planning & Labour & Employment
12.	Shri B.N. Jha	Secretary

SPECIAL INVITEE

Shri V.T. Krishnamachari

STATES

1.	Andhra Pradesh	1. Shri D. Sanjivayya, Chief Minister
		2. Shri N. Ramchandra Reddy, Agriculture Minister
2.	Assam	1. Shri B.P. Chaliah, Chief Minister
		2. Shri K.P. Tripathi, Planning Minister
		3. Shri F.A. Ahmed, Finance Minister

			4. Shri M.H. Choudhury, Agriculture Minister
3.	Bihar	.. .. ..	1. Shri Dipnarain Sinha, Irrigation Minister
			2. Shri Ambika Saran Singh, Deputy Finance Minister
			3. Shri L.P. Sahi, Deputy Planning Minister
4.	Gujarat	.. .. ..	1. Dr. Jivraj N. Mehta, Chief Minister
5.	Jammu & Kashmir	.. .. ..	1. Bakshi Ghulam Mohammad, Prime Minister
			2. Shri D.P. Dhar, Planning Minister.
6.	Kerala	.. .. ..	1. Shri P. Thanu Pillai, Chief Minister
			2. Shri R. Sankar, Dy. Chief Minister
			3. Shri Damodaran Menon, Industries Minister
7.	Madhya Pradesh	.. .. ..	1. Dr. K.N. Katju, Chief Minister
			2. Shri M.L. Gangwal, Finance Minister
			3. Shri S.L. Tiwari, Public Works Minister
			4. Shri Sitaram Jajoo, Deputy Minister of Planning
8.	Madras	.. .. ..	1. Shri K. Kamaraj, Chief Minister
			2. Shri C. Subramaniam, Finance Minister

		3. Shri M. Bhaktavatsalam, Home Minister
9. Maharashtra	.. .. ..	1. Shri Y.B. Chavan, Chief Minister
		2. Shri S.K. Wankhede, Finance Minister
		3. Shri G.D. Patil, Deputy Planning Minister
10. Mysore	.. .. ..	1. Shri B.D. Jatti, Chief Minister
11. Orissa	.. .. ..	1. Dr. H.K. Mahatab, Chief Minister
		2. Shri R.N. Singh Deo, Finance Minister
12. Punjab	.. .. ..	1. Sardar Partap Singh Kairon, Chief Minister
		2. Shri Mohan Lal, Industries Minister.
13. Rajasthan	.. .. ..	1. Shri M.L. Sukhadia, Chief Minister
		2. Shri Hari Bhau Upadhyaya, Finance Minister.
14. Uttar Pradesh	.. .. ..	1. Shri C.B. Gupta, Chief Minister
		2. Shrimati Sucheta Kripalani, Development Minister.
15. West Bengal	.. .. ..	1. Dr. B.C. Roy, Chief Minister
		2. Shri T.K. Ghosh, Agriculture Minister.

UNION MINISTERS

1.	Shri Govind Ballabh Pant	.. .. ..	Minister of Home Affairs
2.	Shri Jagjivan Ram	.. .. ..	Minister of Railways
3.	Shri L.B. Shastri	.. .. ..	Minister of Commerce and Industry
4.	Sardar Swaran Singh	.. .. ..	Minister of Steel, Mines and Fuel
5.	Shri K.C. Reddy	.. .. ..	Minister of Works, Housing & Supply
6.	Shri S.K. Patil	.. .. ..	Minister of Food and Agriculture
7.	Hafiz Mohammed Ibrahim	.. .. ..	Minister of Irrigation & Power
8.	Shri A.K. Sen	.. .. ..	Minister of Law
9.	Dr. P. Subbarayan	.. .. ..	Minister of Transport & Communications
10.	Shri K.D. Malaviya	.. .. ..	Minister of Mines & Oil
11.	Shri Raj Bahadur	.. .. ..	Minister of Shipping
12.	Shri Manubhai Shah	.. .. ..	Minister of Industry
13.	Shri S.K. Dey	.. .. ..	Minister of Community Dev. and Cooperation
14.	Dr. K.L. Shrimali	.. .. ..	Minister of Education
15.	Prof. Humayun Kabir	.. .. ..	Minister of S.R. & C.A.
16.	Dr. B. Gopala Reddi	.. .. ..	Minister of Revenue & Civil Expenditure
17.	Shri B.R. Bhagat	.. .. ..	Dy. Minister of Finance

EIGHTEENTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : MAY—JUNE, 1961

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE EIGHTEENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON MAY 31, AND JUNE 1, 1961

AGENDA & SUMMARY RECORD

Morning Session
May 31, 1961.

Inaugurating the 18th Meeting of the National Development Council, the **Chairman** said that the Council was meeting to consider the final draft of the Third Five Year Plan. The earlier draft had been considered and generally endorsed by the Council. The task of preparing the final draft had been so heavy that it could not be completed until very recently; the Planning Commission had to work overtime and overnight. The Chairman added that the Plan document no doubt looked ponderous because of its size and although he wished that it were more concise, he realised that it was imperative to give facts and figures in detail.

2. The Chairman went on to say that planning is, or should be a carefully thought-out scientific exercise seeking to piece together a connected and comprehensive picture out of a medley of known and uncertain factors. As experience was gained one came nearer to the mark in planning and to grips with the crucial issues. Planning was more complicated a process than initially realised and unforeseen difficulties presented themselves from time to time as the plan progressed. The Plan might appear vague in some respects but it would become more precise with experience and thinking. There appeared to be some merit in not being too specific at this stage as the approach should not be too rigid. The main objectives or goals however required to be clearly indicated.

3. The Chairman was surprised to find that some people thought that planning was bad. He found it difficult to appreciate such an attitude since it was unrealistic and contrary to the current thinking. If one wanted results, one planned for them. He thought that every country recognised the importance of planning. While it was true that they could not embark on everything they wanted to do because of limitation of resources, he nevertheless felt that availability of resources as dependent on many things they could do. Success in planning however ultimately depended on the strength, vigour, enthusiasm, and passion that was put into it. The Chairman said that the plan represented a lot of thinking and working out of details but it had little meaning unless it was infused with passion and tinged with anger at delays and at not achieving where achievement was possible.

4. He thought that the first chapter defined the objectives well. Briefly, the objective was to hold out the prospects of a better life to every Indian equally. How to make this a reality was then to be worked out. He said that the important thing to be borne in mind was that they should think of every Indian and not a selected group here or there. He said that they could deal with the problem only if they threw into it their strength and energy and their passion for doing things.

5. He further said that only recently they had to face problems not dealt with in these reports, i.e., problems relating to separatism whether for a province, or a language, or a religion, or a caste. These four things could do and had done tremendous harm to India's unity and progress. It had to

be remembered that if this was not kept clearly in mind, the whole picture of united India going forward in a planned way will be spoilt. He stressed that they should not allow themselves to be carried away by passion based on some narrower considerations.

6. Reverting to his observation on the Plan, the Chairman suggested that it might be advisable to discuss the initial four chapters first and then follow it up by the section on resources and price policy. He made it clear that he did not want to hustle the Council; the tasks before it should be accomplished with as much thoroughness as possible.

7. The Chairman reminded the Council that there was a Committee appointed to consider the question of savings. That Committee had presented an interim report, which was really a review of the work done. The view taken by the Committee was more optimistic than that taken by the Council previously. The basis of the Plan had however not been changed. The actual outlay to be kept in view would be within Rs. 7,500 crores though the total cost of schemes actually included might be as much as Rs. 8,000 crores. This enabled the inclusion of schemes which took considerable time to be got ready for implementation. The financial limit could be changed as further knowledge about resource potential was gained from annual reviews which were hoped to be made. The Chairman said that if studies and investigations were initiated in respect of a project, but later suspended, some money would no doubt be lost. It was however better to do so than to lose a year or two because of the delay in making such studies. Accordingly for purposes of physical planning the schemes included cost about Rs. 8,000 crores but the actual financial resources available for disbursement during the plan period were Rs. 7,500 crores, unless the position changed and additional resources became available.

8. The Chairman said that he attached so much importance to education that he would rather scrap a few engineering projects than reduce outlay on education. He had come to feel that education was the basis for everything and on no account should it be allowed to suffer.

The Chairman then proposed that the first four chapters be taken up for consideration.

9. The Deputy Chairman, Planning Commission, **Shri G.L. Nanda** explained that chapters dealt with the approach, both long term and in relation to the Third Five Year Plan. The ideas contained in them had already been discussed at great length at the last meeting of the National Development Council and there was not much change except emphasizing the relative importance of different aspects and their implications.

10. The Deputy Chairman stated that the first chapter reiterated basic objectives of sustained and rapid growth, fuller employment and raising of living standards and improvement of working conditions. Agriculture continued to be given the topmost priority. An important objective was transformation of the peasants' outlook and environment. The second priority was 'Industry', especially heavy and machines building industry. More stress was laid than before on the role of public sector which had to grow absolutely and relatively more rapidly than the private sector. He regarded state trading as an integral part of the development of the public sector. For the private sector also, wider opportunities were being provided but it was being ensured that it did not lead to concentration of economic power and increase in disparities. Private sector had to take more and more the character of cooperative organisation.

He stressed that the village and small scale industries had, in the existing conditions, a crucial role to play. There was also the question of regional development where disparities had to be removed and levels raised and the benefits of industrialisation spread evenly.

11. Continuing, the Deputy Chairman said that the basic objective of progress was enhancing

the welfare of the nation, especially of the weaker sections. Transformation of social and economic institutions which did not adequately fulfil these objectives might have to be considered. Emphasis had also been laid on the role of the people; to discharge this, it is necessary for them to have a better and fuller understanding of the plans. The first chapter gave consideration to the directions in which to move; the prime object was progress towards socialism. Socialistic economy must be efficient and progressive, for which three conditions should be fulfilled. Firstly, the public and the cooperative sector had to play a leading role. Secondly, there should be equality of opportunity for which it is essential to provide basic necessities, at least up to certain minimum levels. Lastly, there was the reduction of disparities, both economic and social.

12. The Deputy Chairman added that thought had also been given to the need of distributing the burdens on some basis of equality of sacrifice. He stressed that in the evolution of socialist pattern, the importance of social values and incentives must not be forgotten.

13. He further said that the concept of equal opportunity had been spelled out at some length. Its most important ingredient was employment. Because of rapidly increasing population, it might not be possible to achieve this goal in spite of large scale development effort. For this reason, certain special measures like large scale rural works had to be taken up. This also raised the question of equal opportunity in respect of social services, like education and of social security. A beginning had been made in this direction but more remained to be done.

14. The Deputy Chairman also referred to the question of organisation. Socialism had to develop at the level of the community which had been stressed in community development and cooperative movements. In the villages, improvement would come through land reforms and cooperatives. In the urban areas, there were difficulties on account of congestion, population increase and rise in land values. The remedy was to check the rise in land values, provide better housing and create better environment.

There was also the question of distribution of economic power. With rapid development of large-scale industry leading to greater concentration of economic power, it had to be ensured that monopolistic tendencies did not develop. Power of control and regulation through fiscal measures should be used adequately and stress laid, firstly, on growth of public sector and secondly, on encouragement of new entrants in the private sector. Taxation was one of the important instruments of social policy and had to be employed in an integrated manner; estate duty, capital gains tax etc., had not been utilised adequately and much more could be done.

15. The Deputy Chairman mentioned that certain steps had been taken, chiefly through land reforms, in rural areas to reduce disparities. The satisfactory implementation of these measures was of crucial importance. In the industrial sector, it would be possible to increase the number of enterpreneurs through training programme so that more people got opportunities. Disparities in incomes, he added, could also be reduced through taxation and assured that the idea was being developed and concretised. The disparities between rural and non-rural income had also to be taken note of. The formulation of an appropriate agricultural price policy might be considered in this connection.

16. Emphasising the importance of social integration, and the urgency of doing things quickly, he concluded that "in the final analysis economic development is but a means to an end — building up, through effort and sacrifice widely shared, of a society, without caste, class or privilege, which offered to every section of the community and to all parts of the country the fullest opportunity to grow and contribute to the national well-being."

17. The Finance Minister, Assam, **Shri F.A. Ahmed** stated that in the Draft Plan the increase in population was envisaged at 1.8% per annum but from the provisional census figures it was clear that it would be more than 2%. He wanted to know whether in determining the target for foodgrains and other targets account had been taken of this increase. The Chairman assured him that had been done. The Deputy Chairman explained that the main effect of the rate of population increase was on the labour force. In the matter of food, he added that target had been laid down fairly liberally and he anticipated no difficulty in this regard.

18. The Chief Minister, West Bengal, **Dr. B.C. Roy** wished to know what specific points members were required to consider and give their views on.

19. The Deputy Chairman stated that the main issue to be considered was that what had been done so far was inadequate in the context of the increase in population and the increasing expectations and aspirations of the people. The 4% rate of growth in national income was not enough. Therefore, they had set before themselves a rate of increase of about 6%. To secure Rs. 7,500 crores for the Third Plan, the rate of domestic saving had to be stepped up considerably.

20. The Chief Minister, West Bengal, **Dr. B. C. Roy** wanted to know how domestic resources, investment and national income could be raised.

21. The Deputy Chairman said that the Savings Committee had applied its mind to these matters. They could not conclude their deliberations but the main direction of thinking was that apart from tax-revenue, there were surpluses from public enterprises. There were possibilities also of enlarging resources from loans and small savings but the main hope was from public enterprises which would require a great deal of attention during the next two or three years.

22. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** stated that the Planning Commission had done a good job. It was helpful to know what had been achieved in the last decade in the country. On this basis they had now to determine what further advances were required during the third plan period. He felt that the objectives of the plan were still as vague as they were in the first and second plans. This might have been motivated by a desire not to bind themselves too rigidly to the future, but it resulted in vagueness and lacunae in our thinking. He wanted social objectives of the plan to be more specifically stated. He felt that to combat concentration of economic power an appropriate machinery should be devised and indicated in the Plan. He added that industrial licensing policy in the private sector should be so administered as to facilitate decentralization and prevent concentration in a few hands. In the public sector too monopolistic tendencies should be discouraged. He would like to see the State participate as share-holder in public enterprises such as mining.

23. The Chief Minister, West Bengal, **Dr. B. C. Roy** observed that the process of socialisation required more contact between the States and the Centre and between States and the Panchayats.

24. The Minister of Oil, **Shri K. D. Malaviya** observed that problems of concentration of private industries in a few hands and decentralisation of entire field of planning which the Government was handling, should receive independent treatment in the Report.

25. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** while agreeing with the suggestion stated that the main objective was to become a more progressive technological society. Technological bias could be created if the system of secondary education was reformed. He suggested that some machinery should be created to undertake an examination of the working of the public sector and to find out whether the huge investment in the public sector had yielded

proper returns. At the rate of 10% the returns should aggregate to five to six hundred crores of rupees every year.

26. The Chairman felt that technological bias could be better created through the establishment of an industrial base. In each State, in every Panchayat area there should be a small industrial base for teaching carpentry and for making agricultural implements etc.

27. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** stated that Madhya Pradesh was an agricultural State since eighty to eighty-five per cent of the people lived in the villages and the level of agricultural prices played a dominant role in its economy. Before the zonal system, they got higher prices in Bombay or Calcutta but after its introduction and the rise in agricultural wages, farmers were not getting adequate return. He urged that unless agricultural prices were raised, the living standards in rural areas could not be improved. He did realise, however, that raising of prices would hit the working class, especially Government employees. He suggested that the Planning Commission should go into this question.

Insofar as technological resources were concerned, he suggested that polytechnics should be established in every district, as there was great demand for technical education. The establishment of a polytechnic cost Rs. 20-30 lakhs and the State Governments could not afford such huge amounts. He, therefore, suggested the Planning Commission might consider contributions from the Centre for this purpose. He went on to say that Madhya Pradesh was not so much vexed with the problem of decentralisation; it was with the development of the regions' varied mineral resources that they were more concerned.

28. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** wanted to know what was the role of commercial banks in the Third Five Year Plan. He stated that the resources of the commercial banks were being diverted more and more to the private sector and unless some definite policy was laid down, it would be difficult to obtain resources for the public sector from this source. He further stated that the State enterprises were not going to give much return, during the Third Five Year Plan. He stressed that public enterprises must contribute their due share towards resources and for that purpose, if necessary, the price policy of public enterprises might be suitably revised.

29. The Chief Minister, U.P., **Shri C. B. Gupta** stated that the farmer also expected something concrete during the next five years. He suggested the establishment of a particular level of prices for commodities throughout the country and the creation of a Price Stabilisation Fund, both at the Centre and in the States. This would in his view, induce the farmer to produce more and thereby improve his standard of living. This would also help eliminate disparity which was increasing. He shared the sentiments of Shri Chavan and Dr. Katju that existing disparities had to be removed and suggested that to achieve this, concrete steps in which the Centre had to play its role should be indicated in the plan. He, however, did not agree with the views of Shri Chavan regarding decentralisation of Centre's power.

30. The Development Minister, U.P., **Shrimati Sucheta Kripalani** stated that industrial policy was well-founded and had been verdicated by results. Policy of dispersal of industries in backward areas had also borne fruit. She, however, felt that there was scope for a more coordinated effort in every State. It should be possible, for instance to compel every industrial enterprise, public or private, to accept apprentices as a specified proportion of the number of workers employed. If theoretical training could be given to them at moderate rates as was done in foreign countries, particularly in West Germany, they would be able to produce intelligent workers with theoretical

technological background to man their future industries.

She was disappointed with the treatment of the question of unemployment and apprehended that there would probably be fewer employment opportunities than those indicated in the Plan. The measures for overcoming the big gap between employment opportunities and the size of the labour force were not adequate; a coordinated and joint effort by the Centre and the States was needed. The Chairman observed that legislation was under consideration for compulsory training of apprentices in every factory.

31. The Governor of Orissa, **Shri Y. N. Sukthankar** stated that agriculture had been correctly given the first priority, though he recognized the importance of other sectors, such as health and transport. He noted with satisfaction that the Planning Commission had given high priority to diverting population from agriculture to other sectors so that in 1966 agricultural population would be reduced to 66 per cent of the total. In Orissa, the price of rice, which is important in determining the agricultural output, was very low compared to West Bengal, especially Calcutta. He, therefore, pleaded that something should be done for the Orissa agriculturist by raising the price a little above the present level. He thought that the zonal system on the whole had worked well. Some tracts in Orissa had however no markets and something required to be done. He also stated that there were far more underdeveloped regions in Orissa than in any other State and added that they were thinking of appointing a coordinating committee to assess the economic condition of the various regions in the State. He referred to remarks made by Chief Minister, Maharashtra relating to the private sector and decentralisation and stated that States should be permitted to participate in the private sector enterprises. He did not know why some States were allowed to do so, while others were not. He thought that there was scope for both centralization and decentralization in the plan.

32. The Finance Minister, Madras, **Shri C. Subramaniam** stated that Chapter I placed before them, the country and perhaps the world, the objectives for which they wanted to have this planned economy and, therefore, in his view that chapter should make inspiring reading. This would be possible only if it stated the objectives of planned development in an adequate and precise manner. He submitted for consideration that a better picture of the objective might be given than the one contained in the chapter.

He congratulated the person who had drafted the second chapter which gave a very good idea of long term economic development and the need for perspective. There were a few defects which had to be rectified, particularly with reference to population. The perspective presented was rather alarming. It was anticipated that for the next 15 years, population was likely to increase at more than 2% per annum. With that perspective, he did not think any planning would improve living conditions. The endeavour should not be to stabilise the rate but to reduce it so that by 1976 the growth rate declined to about 1.5 per cent per annum.

He also pointed out that the development envisaged could take place only when they had the correct perspective of saving and investment. He was afraid that the perspective of savings—the form, the method and the sources—had not been adequately emphasized.

He next stated that in the third chapter dealing with ten years of planning, although achievement had been enumerated, successes and failures registered in the States had not been mentioned. For example, Maharashtra did remarkably well in small savings, soil-conservation and dry farming, and so had Madras in regard to school education, mid-day meals, rural electrification, etc. Many a State taken by itself had distinct achievement to its credit. Their combined experience should be highlighted and made available to all States so that if successes were achieved in one part of the country through certain methods, those methods might be adopted in other parts of the country. Secondly, they had also to take note of the deficiencies in implementation, find out why they had failed, why the targets could not be achieved and rectify them as they proceeded. There were deficiencies in the achievement of targets in vital sectors, e.g., finished steel, fertilizers, textile machinery, cement machinery, paper, aluminium, soda ash, caustic soda, dyestuffs, cement, power, transport etc., but investment in industrial production particularly in the private sector, had gone beyond the financial targets fixed for the second plan. Surely, therefore, this investment had gone to other sectors which were not basic. He, therefore, suggested that an expert committee might be set up to go into these details in order to avoid their recurrence during the third plan period.

He also made the point that there should be some relationship between the second chapter and the fourth chapter because the targets given for 1970-71 in Chapter II should be related to the targets given in Chapter IV. He stated that specially in respect of financial targets, increase in national income, and the rate of per capita income, there were contradictions from chapter to chapter; he wanted the Commission to examine this so that they could have a consistent and coordinated picture.

33. The Chairman stated that Shri Subramaniam had raised important points in regard to the first four chapters which the Planning Commission should consider carefully. About the population projections, he requested Prof. Mahalanobis to explain the position to the Council.

Member (Perspective Planning), **Prof. P.C. Mahalanobis** stressed three general points. First, that the long-term projections were purely mechanical in the sense that they were based on one single item of observation of the current rate of growth; all mathematical projections such as the use of parabola or some other curves were entirely abstract. Secondly, it was generally recognised that the rate of growth of population was influenced in a complex way by various factors such as the spread of education, the increase in the level of living and a consequential increase in the availability of birth control appliances etc. Thirdly, population projections even in the most advanced countries like the U.K., France and the U.S.A. had often turned out to be entirely wrong.

As regards India, one would expect a high rate of growth at this stage because the importance of old controls, such as famine, malnutrition and disease, was rapidly decreasing. With the spread of education, increase in the level of living and increasing availability of birth control appliances, it was reasonable to hope that the rate of growth would slow down. In fact, one of the most important reason for a rapid rate of economic growth was to bring into operation its retarding effect on the rate of increase of population.

Such general effects would, however, be slow in action. The only other way was direct promotion of family planning. He was sorry to say that there was no evidence so far of effective impact of such promotional efforts in India. At the request of the Minister of Health, he had made full enquiries as Chairman of a committee set up by the Ministry of Health and the unanimous recommendations of this committee were submitted to the Ministry of Health in September, 1960.

34. The Minister of Health, **Shri D. P. Karmarkar** stated that they had recently had an assessment. He stated that during the last 4/5 years they had recorded 95% operational success in public hospitals. He also stated there was growing awareness and greater use of contraceptives in the country. The family planning movement was spreading fast and he could state that family planning was going to have a significant impact.

Prof. P. C. Mahalanobis agreed with what the Minister of Health had stated but felt that this would constitute only a small fraction of the very slow general retardation of birth rate which was coming into operation with the development of national resources and improvement in levels of living. Direct promotional efforts, on the other hand, should quicken this process but unfortunately there was no evidence of this happening.

35. The Chairman observed that in Madras the rate of increase in population was lower than in most other States.

36. The Chief Minister, Kerala, **Shri P. Thanu Pillai** stated that the population problem in his State was more acute than in other States. During the last half century, Kerela's population had increased at the rate of about 25 per cent every 10 years and the density was now 1,200 per square mile. He felt that family planning had potentialities and his Government was trying its best to spread it. In his State another aspect of the problem was the lack of land for fresh occupation. As there were areas in India which were thinly populated, he urged the Government of India to help and encourage people, as a measure of national policy, to migrate from over-populated to under-populated areas, irrespective of State or linguistic considerations.

37. Member, (I. T. & D.), **Shri V. K. Krishna Menon** observed that in view of the fact that social and biological factors were themselves susceptible to change, inclusion in the chapter of a population projection based on past trends was entirely unrealistic.

38. Member (Perspective Planning), **Pro. P. C. Mahalanobis** pointed out that short range projections covering 5 to 7 years were necessary for purposes of planning and for that purpose the present figures might be accepted. It was however essential to maintain a continuous watch through annual surveys. He agreed that it would not be advisable to lay too much stress on long range projections which were liable to change and supported the suggestion that a retardation in the rate of growth of papulation itself should be accepted as an aim of national planning.

39. The Chairman stated that these population figures being very mechanically estimated and, therefore, should not be given for long periods. He also drew attention to the large differences in the growth of population in different States and suggested that an inquiry might be made by the Statistical Department to find out the reasons for this.

40. The Minister of Industry, **Shri Munubhai Shah** stated that at the commencement of the Second Plan, the foreign exchange position was very easy and accordingly liberal foreign exchange and import licensing policies had been adopted. By the middle of 1958, the foreign exchange position had deteriorated. Due, however, to India's international reputation, the lending countries extended assistance but the prices of commodities, particularly of capital goods, went up. There was generally an inflationary pressure throughout the world. Cost estimates of public and private sector projects had consequently to be revised upwards and larger investment was needed for achieving the physical targets. As resources were limited the implementation of projects not constituting the core of the Plan was adversely affected.

He further stated that due to a variety of reasons there were short-falls in the Second Plan in the achievement of physical targets in respect of coal, cement and steel which in turn hindered development in other fields. He, therefore, felt that while assessment should continue to be made, it should be realistic; lapses were bound to happen in a democratic country despite careful watch.

41. The Finance Minister, Madras, **Shri C. Subramaniam** stated that the only reason why he mentioned that these were shortfalls in the vital sectors of the economy was to ensure that those things did not happen again in the third plan period.

42. The Chief Minister, West Bengal, **Dr. B. C. Roy** felt that collaboration between the Centre

and States, as also between the Central Ministries and the Planning Commission, should be improved, and there should be less attempt at exercising control by one or the other of these parties. He was satisfied that every State was doing its best to raise resources and to develop its territory.

He felt that this should engender a spirit of collaboration and not that of competition. He also pointed out that in respect of State subjects like education, health, etc., it would have been more realistic if the Planning Commission had obtained the views of the different States before arriving at a conclusion. He stated that the implementation of development programmes should be left entirely to the States concerned and no attempt should be made to impose anything from above except to give aid wherever necessary either by advice or by collaboration.

43. The Chairman observed that the Chief Minister, West Bengal had made important points to which attention should be paid. Sometimes there were arguments and discussions which took a little time to settle, but, broadly speaking, in regard to the development of the States, the State Governments were the best judge and he felt that the Central Government and the Planning Commission came into picture only when schemes involving foreign exchange, etc., were brought up.

44. It was explained by Deputy Chairman that the allocations for each State were made with the full agreement of the State concerned on the basis of priorities laid down. The Planning Commission were in a position to draw on the experience of many States and were able to explain to the States the results of alternative courses of action.

Therefore, there was no question of exercising control for regimentation.

45. The Chief Minister, Kerala, **Shri P. T. Pillai** stated that Kerala had been badly neglected under the last two plans. In the Second Plan, while large sums were invested by the Centre, Kerala failed to get its share. He desired that a more realistic view should be taken and something substantial done for Kerala.

46. The Chairman observed that it was usually the expert committees in the concerned Ministries, with which foreign experts were associated, who determined the location of a particular project or industry.

47. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** stated that expert committees did decide these things but there were also pulls by which they could be easily shifted to other places. In his view Punjab did not get its due share. He suggested that they should find ways and means to institute a one or two-year condensed course of a standard, mid-way between that of the polytechnic and the engineering college, to cater for boys who cannot go to higher institutions. He also suggested that there should be some means of bringing to the notice of all States the various projects being established throughout the country so that people who desired to have training in engineering may be sent there, irrespective of the State to which they belonged. He felt that provincialism was growing and required to be curbed. In his opinion, equal opportunity should be provided to all; Planning Commission and the Central Ministries could help in the matter.

48. The Chairman observed that Shri Kairon's statement brought in focus the important fact that a public sector project should not be regarded as a monopoly of the State in which it is located but should draw its employees from all over India.

49. The Finance Minister, Assam, **Shri F. A. Ahmed** stated that they had not been able to implement the agricultural targets because of a succession of severe floods. The State's efforts to

check floods had been futile. They had been assured that a survey would be made and thereafter it would be possible for the Central Government to lend them engineering personnel and necessary funds to draw up a plan, but nothing had been done so far. The provision for flood control for the State was only Rs. 4 crores which was less than in the Second Plan. If agricultural targets in Assam had to be achieved, this aspect had to be thoroughly considered. He also stressed that in the public corporations, the State Governments should be allowed to have shares.

50. The Chairman thought that the principle of States having shares in undertakings situated in their areas was quite acceptable, but its form was a matter for discussion.

(The meeting adjourned till 3.30 P.M. in the afternoon).

After-noon Session
May 31, 1961.

51. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** taking up the point raised by Dr. B. C. Roy that the States should be left free to re-allocate resources within the ceilings agreed to, said that this could not be accepted as it might upset the entire planning and seriously jeopardise the achievement of targets laid down. If the States had more funds, relaxation was certainly possible, but if States went on changing the plan, then there would be nothing like a plan left.

52. The Chief Minister, West Bengal, **Dr. B. C. Roy** stated that if the Planning Commission laid down certain priorities, these should be observed. If however there were no priorities, the State Governments would be most appropriate authority to judge as to how to utilise the money available to them irrespective of the sources.

53. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** further stated that re-allocation within a sector was already provided for but if money were to be transferred from one sector to another that would upset the whole plan.

54. The Chief Minister, West Bengal, **Dr. B. C. Roy** thought that before the Plan was finalised, the initial allocations should be made by the States and later put up before the Planning Commission for their approval; Planning Commission should not be the sole judge.

55. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** then discussed the question of delegation of authority or its decentralisation and stated that the matter needed serious consideration and should be looked into.

56. The Prime Minister, Jammu & Kashmir, **Bakshi Ghulam Mohammad** stated that the four chapters under consideration had been prepared with great care. The objectives were laudable. He stated that the country could not, however, take a leap forward unless the income of the 80 to 85 per cent of the population in rural areas was increased and therefore agriculture needed more attention. The only proper way to achieve increase in income from land was to increase yields by the proper application of intelligent methods and techniques, and use of better seeds. He suggested that the Ministry of Agriculture and the concerned Division of the Planning Commission should pay more attention to this. The problem of minor irrigation and major irrigation should be tackled on a national basis. Giving the example of Punjab, which in spite of the lack of advanced industries had the highest per capita income, he said that efforts made in that State in increasing production and per capita income from agriculture and small-scale industries were praise-worthy. Similarly, effort should be made to increase milk yield of cattle by establishing cattle farms for improving cattle breeds. He also said that the yield of wool from Indian sheep was very low and therefore felt that to improve the breed rams from Australia and New Zealand should be imported in spite of foreign exchange difficulties. He estimated that his State needed 8000 superior breed rams. Regarding the suggestion made by the Chief Minister, Punjab that India should start improving the breed of sheep in the same way as Australia did by importing sheep from Sweden and other countries, the Prime Minister, Jammu & Kashmir pointed out that it was an extremely long-drawn process and was not practicable.

The Prime Minister, Jammu & Kashmir then stressed the importance of horticulture and stated that special efforts were required to be made in Jammu & Kashmir and Himachal Pradesh to develop it. Although they had established nurseries, their main problem was in respect of soil testing. With the present resources, it would take many years to conduct a survey of their soil. He suggested that the Ministry of Food & Agriculture should try to find a suitable and speedy solution. He pointed out that Kashmir had started development of fisheries from scratch and was now in a position to meet the requirements of Punjab and Delhi. He suggested that more attention should be paid to technical education and to the opening of small technical schools. Every Tehsil should have a school to impart training in making agricultural implements, etc., so that local requirements were met from within.

57. The Chairman observed that for improving agricultural production, change in the farmers attitude and outlook was a prerequisite.

58. The Union Deputy Minister of Finance, **Shrimati Tarkeswari Sinha** drew attention to the urgent need for bringing about a better balance between the demand and supply capacity of the agricultural sector and the demand and supply capacity of industrial sector. She felt that during the second plan period very little attention had been given to this aspect and the inter-dependence of the two sectors had not been adequately realized. Since the biggest consumer was going to be rural India, as it represented nearly 80% of the population, failure to relate the demand capacity of agricultural sector with the supply capacity of the industrial sector would result in lop-sided growth particularly when industrial production gathered full momentum.

She also raised the question of providing guidance at the universities and technical schools in the matter of employment. She went on to say that present technically-educated boys and girls, and even very highly qualified technical personnel, failed to find suitable jobs immediately on completion of their training and wasted much time and energy in hunting for them. In fact even in the last year of their educational career, they worried about the prospect of finding suitable employment. She urged that the Planning Commission give adequate attention to this problem.

She next referred to the poor servicing facilities for machines in the country. Most of the tractors in villages were for instance lying idle because service was delayed and spare parts were not available except in the black-market. She, therefore, suggested that a scheme should be drawn up for building up an adequate stock of spare parts and that the Government should take responsibility for providing basic servicing facilities at low cost to the farmers.

Stressing the importance of implementation, she said that there was lack of coordination between different executive agencies within a district; also between the various districts. She suggested that coordinating agencies might be established which would be responsible for implementing programmes. She also urged that it should be ensured that programmes initiated in a preceding plan were not neglected in the succeeding plan.

59. The Minister of Community Development and Cooperation, **Shri S. K. Dey** agreed with the Finance Minister, Madras that the Chapter I was not very inspiring. He personally felt that the Chapter should set up a goal for the nation for decades to come—a destination towards which the nation had to strive. One could not have patience for something which did not stir one intellectually or emotionally. Referring to his own field he said that it had a great deal to do with patience, excitement and a sense of inspiration. He stated that the First Five Year Plan gave birth to the concept of community development. The Second Plan brought something more revolutionary—the concept of Panchayati Raj, namely the idea that the people at the local level assume the responsibility for implementing development programmes. It meant the democratisation of Government institutions below the State level. He suggested that it should be more clearly brought out that the institution of Panchayati Raj was part of wider project of spreading a sound system of democracy whereby people would be given responsibility for managing their own affairs. It should

also be categorically stated in the report that it was not a device for securing larger contributions from the people.

He next pleaded for a proper balance between agriculture and industry. To achieve this, he felt, decentralisation of industries was essential. He further stated that a socialist pattern consistent with Indian culture could grow only if the whole economy—agricultural as well as industrial—had a dominant cooperative sector. In his, opinion this could hardly be achieved during the third Plan Period, but the direction could be clearly indicated now. In Andhra, Gujarat and Maharashtra, a revolution had been brought about within the course of a year in this respect but no particular mention had been made about it in the plan.

60. The Deputy Minister of Finance, **Shri B. R. Bhagat** emphasised the importance of coordination in implementing the plan. In this context he drew attention to the existence of imbalance and lack of coordination, particularly, in the field of steel, coal and transport and cautioned that the magnitude of the problem would be even greater in the Third Plan. He pleaded that whatever decentralisation might be in view, primacy must be given to proper leadership at the political and administrative levels and the establishment of a centralised coordinating agency for removing imbalances. He felt that on the whole the attitude of the administration was negative, victorian and complacent.

61. The Chairman stated that so far as the first four chapters were concerned, the Planning Commission would endeavour to revise them in the light of the views expressed during the discussions. He then suggested consideration of the chapters on resources and development of foreign trade.

62. The Chairman stated that a point had been raised as to why the returns from public enterprise were so small. He felt that the returns should be much larger because investment had been made in the expectation of a return.

63. The Minister of Industry, **Shri Manubhai Shah** stated that in the Second Plan effective investment had not been of considerable magnitude. Public sector undertakings took 3 or 4 years to complete and would be in a position to yield returns only from the third or fourth year of the Plan. All projects are required to provide for depreciation, reserve and sinking funds etc., according to law.

64. The Deputy Chairman, Planning Commission, stated that the investments with which they were chiefly concerned related to industries. It was only in the Second Plan that any considerable investment—Rs. 870 crores—was made, more than half of which had not yet reached the point of yielding returns. Ministries had not yet made a proper reckoning and were conservative in their estimates. They had indicated a figure of Rs. 300 crores consisting largely of depreciation and net return was much less. The position was not satisfactory and required looking into closely. The Savings Committee had decided that in the next phase they must look into every undertaking in the public sector from the point of view of ensuring maximum returns.

65. The Minister of Railways, **Shri Jagjivan Ram** stated that Railways' contribution to the Plan was 150 crores but in addition they would also pay dividend or interest to the general revenues amounting to the extent of Rs. 70 to 80 crores per year by the end of the Third Plan. Railways had also provided for a sizable depreciation fund. They were going to increase it by about Rs. 70 crores annually so that the total contribution to the Plan would be Rs. 150 crores plus Rs. 350 crores as depreciation fund plus interest to the general revenues amounting to Rs. 300—350 crores.

66. The Chairman observed that a very large part of investment had gone to irrigation and power and the returns from those projects had been inadequate.

67. Member (NR), Planning Commission, **Shri C. M. Trivedi** explained that by the end of Second Plan they had spent Rs. 85 crores on irrigation. It appeared that irrigation over the Third Plan period would involve the States a loss of Rs. 35 crores and from the multi-purpose projects, the losses would be Rs. 29 crores. As regards power, he thought they should have invested about Rs. 700 crores by the end of Second Plan. He pointed out that of Rs. 150 crores surpluses from public undertakings, the bulk was from electricity undertakings, including depreciation and net receipts. He further stated that, about two years ago, the National Development Council had laid down that all public enterprises must yield adequate economic returns and the Planning Commission had taken up this matter in respect of irrigation and power projects with the State Governments concerned.

68. Regarding power projects, the Finance Minister, Madras, **Shri C. Subramaniam** felt that it was possible to get more returns. For example, in Madras, they were getting 6 to 7% net return excluding depreciation in spite of the fact that they were providing electricity to a large number of villages where the return was necessarily lower. He drew attention to the Electricity Act of 1948 which stated that the rate of electricity should be lowered and suggested that it should be revised to conform to the present approach. He also stated that the electricity Boards were not attaching adequate importance to need for securing maximum returns.

69. The Minister of Steel, Mines and Fuels, **Sardar Swaran Singh** said that public sector activity had expanded and large scale investments had been made in transport, electricity, iron, steel, refineries, fertilisers, etc. They had to assess whether or not Rs. 450 crores consisting of Rs. 150 crores from undertakings controlled by State Governments and Rs. 300 crores from undertakings controlled by Centre was a realistic estimate. He reminded that these figures did not include the contribution from the Railways, Rs. 105 crores put in the Steel Equilisation Fund and the return from excise duty. He felt that all these elements should be taken into account in determining the return from public undertakings. He further stated that many of the activities in the public sector were of a nature of services. When they talked of profit, he continued, it meant the total cost charged from the consumer minus the cost of production and other deductions. If an enterprise was reasonably well-managed and there was no overstaffing, the actual return was closely linked with prices. Thus, return was ultimately a matter of pricing policy. He also added that in most cases prices were fixed by the Tariff Commission.

On enquiry from the Chairman he said that although investment in public sector projects would be higher compared with similar projects in the private sector (because of the liberal policy of providing housing and amenities etc.) cost of running them might be lower in view of modern staffing methods, the net return in both cases would be about the same.

70. The Minister of Industry, **Shri Manubhai Shah** felt that the excise duty could not be considered a part of the return of an undertaking. The industrial policy must ensure fair return to the community and better performance in public sector than in private enterprise. He said that the public sector could deliver the goods. By producing quality goods and reducing cost of production by more efficient management (as in the case of Penicillin, Hindustan Machine Tools etc.) they had proved that only when industrial policy had a commercial bias could the public sector contribute to the public exchequer.

71. The Finance Minister, Madras, **Shri C. Subramaniam** was of the view that more profit

should come out of operational efficiency rather than from price increases. He wanted to have an idea how far the efficiency of the public sector could be counted upon during the third plan period. If suitable directives were given, he was sure managers of public enterprises would rise to the occasion and public sector industry would compare favourably with private undertakings. He also suggested that instead of appointing retired officers to the management of these undertakings, they should select younger officers so that their services and experiences could be available to the undertakings for longer periods.

72. The Chairman asked the Union Minister of Industry to circulate papers giving information regarding prices, reserve and depreciation fund etc., of the public sector enterprises.

(The meeting was adjourned until 10 A.M. June 1st, 1961).

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73. The **Chairman** invited further comments on resources and foreign trade.

74. The Chief Minister, Maharashtra, **Shri Y. B. Chavan** stated that so far as the States were concerned, the members of the Savings Committee had come to the tentative conclusion that there was no gap on the resources side. The State representatives on the Savings Committee felt that it would be possible to reach the figure of Rs. 8300 crores and they wanted to convey this feeling to the Council. It was for consideration whether this could be indicated in the Plan. The Committee had also considered the question of contribution from public industries, and economy in the administrative cost of development in the States and Centre. The Chief Minister also stated that the banking system i.e., the commercial banks, had not contributed much towards the resources of the public sector—only about Rs. 35 to 40 crores in the First Plan and Rs. 10 crores in the Second Plan; this required looking into.

75. The Finance Minister, Madras, **Shri C. Subramaniam** said that the approach of the Savings Committee was to find out ways of stretching resources so as to reach Rs. 8000 crores required for the physical plan. The Committee was hopeful of achieving this. Referring to the contribution from public sector undertakings, he urged that the target fixed should be higher than Rs. 300 crores. He feared that if a lower target was fixed, the executive machinery would not be putting forward its efforts with the result that even the lower target might not be achieved. He suggested that this question might be examined by another expert body which would be guided by the consideration that public undertakings should function as commercial concerns. The higher target should be further broken down for each undertaking and made obligatory. If this were done, there was great scope for increasing resources from public sector undertakings.

He further wanted that it should be conveyed to State Governments that projects under their control especially power and electricity projects should be operated as commercial undertakings. He was confident that the figure of Rs. 150 crores indicated for this source could be considerably enhanced. He was of the view that the contribution of the Life Insurance Corporation to the resources of the public sector, which had been subsequently revised downwards should not be reduced merely because in a particular year, namely 1960-61, the target had not been achieved. He was confident that more could be realised from insurance than the Rs. 300 crores indicated. He next stated that as the scope of the provident fund scheme was intended to be expanded during the Third Plan period and the rate of contribution raised from 6¼ to 8¼%, it would be advisable to fix a higher target of contribution. Regarding the contribution of commercial banks, he said that because of the division of the entire outlay into public and private sector and the tendency of the commercial banks to invest in the private sector, the shortfall would be experienced entirely in the public sector undertakings, although they might have higher priority than some of the undertakings in the private sector. To remove this anomaly, he suggested that at least 20% of commercial bank credits, namely about Rs. 150 crores, should be invested in the public sector and a policy decision taken at the highest level.

He indicated that there was difference of opinion regarding the contribution from current revenues on the basis of the estimates for the current year. The figures differed widely in different sets of papers. When the N.D.C. approved the Draft Plan of Rs. 7500 crores, the figure was arrived at on the basis of the Budget Estimates of 1960-61. When the Savings Committee first met, figures of revised estimates and in some cases of the actuals were available. Quoting the experience of

Madras, Maharashtra and Rajasthan, which he felt was no doubt the experience of other States also, he said that the figures regarding resources in the Revised Estimates, and the actuals were very much higher than in the Budget Estimates of 1960-61. The Savings Committee, therefore, took these revised figures into account and found that instead of a minus account, the States would be having a surplus of Rs. 140 crores. Even the Finance Ministry had agreed that in the States sector, the gap of Rs. 120 to Rs. 122 crores previously anticipated did not exist any longer. He felt that if that were the position regarding States' resources, the outlook in respect of Central resources should be even better. He suggested that they should have the 1960-61 actuals as the basis for resource projections. Non-Plan expenditure during the Third Plan period had been fixed at a particular level and should not be allowed to increase. If any increases were necessary, it should find a place in the Plan.

Regarding small savings he said that during the Second Plan period some States like Maharashtra and Gujarat had done extremely well while others had lagged behind their targets. He suggested that in fixing the targets for small savings in the Third Plan, they should take the performance of States which had done well as the basis. States which had failed to reach their targets should endeavour to improve their achievements by adopting the methods and procedures of the States which had been more successful.

Concluding his observations, he reiterated that the outlay target should be indicated at Rs. 8300 crores as it would create an atmosphere of greater effort in the sphere of savings and implementation of the Plan. If, however, it was decided to retain the existing distinctions between the financial resources and physical targets in the Plan, he would like this to be done subject to a few conditions. Firstly it should be indicated that there was no shortage or gap in the States' resources and that the State Plans should be fully implemented. Secondly, as there was no significant foreign exchange component in the Rs. 170 crores gap at the Centre in respect of social services, schemes included in this sector should be allowed to go through as if no gap existed. He reminded that education, expansion of which was most important, was included in this sector. Thirdly, transport and communications should get a higher priority because past experience showed that the lack of requisite transport capacity hindered development and production in industry and mining. Fourthly, in the industrial sector they should go ahead with the preliminary processing of projects on the basis of physical planning.

76. The Chairman observed that all members of the Council should consider the view-point of the Finance Minister, Madras.

77. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** stated that Mr. Subramaniam had clearly placed the view of the Savings Committee before the Council and they strongly felt that it would not be difficult to achieve, i.e., financial target of Rs. 8,000 crores. He wanted this to be indicated in the Plan for better psychological impact. He also made the point that if they were unable to achieve that target, only public sector enterprises would suffer. He also stated that in Rajasthan they had tried out the rural insurance scheme during the last two/three years and found it eminently successful. The current year target was Rs. 30 crores, even the Panchayats were-raising their resources from the commissions received from the L.I.C. He felt that the scheme ought to be taken up on a large scale to mobilise resources for the Plan from the rural areas. He also said that it was possible to effect substantial cuts in administrative expenditure which was rising. He felt that the Central Government had many Agencies in the States whose work could easily be taken over by similar agencies in the States, thereby avoiding duplication. There were also some non-Plan items which could be cut out but there were others which were essential and

should actually find a place in the Plan. He held that the stand that additional resources could not be raised merely because they had been unable to do so in the past was not justified. If certain policies were followed in respect of economy in expenditure, life insurance schemes, commercial banking institutions, provident fund and State enterprises, the gap could easily be met. He agreed with the Finance Minister, Madras that they should try to create psychological impact to eliminate the gap.

78. The Chief Minister, Uttar Pradesh, **Shri C. B. Gupta** also shared the views of Shri Subramaniam regarding the fixing of higher financial targets and the possibilities of increasing resources in the directions indicated by him. He did not, however, agree with him that it was possible to increase returns from power projects, except perhaps in respect of hydel projects. In his State, which had only thermal projects, they were losing money. There was also the question of providing incentive to industry through reduced rates. He nevertheless affirmed that public industrial projects, if run on commercial lines, could yield better returns. He recalled that at the last meeting of the Council he had mentioned that the Railways and L.I.C. could contribute more. He went on to say that commercial banks should be made to contribute their share towards the public sector. He also felt that economies could be effected by avoiding duplication at different stages of implementation of programmes. He supported the view that it was necessary to generate a feeling of urgency by affirming that the plan aimed at establishing a social order which would provide for a better way of life to the masses. He therefore, pleaded that the targets should not be reduced. However, should they find that resources were not keeping pace with requirements, they could each year curtail some of the less important projects.

79. The Union Finance Minister, **Shri Morarji R. Desai** said that while he too was optimistic, it was not wise to let optimism get the better of realism and added that in his view even Rs. 7,500 crores was an optimistic estimate. He needed to be convinced that resources beyond Rs. 7,500 crores could be raised.

Examining the arguments made by earlier speakers he stated that for the Third Plan the balance from current revenue excluding taxation, was reckoned at Rs. 550 crores. He reminded that experience of the Second Plan was that as against Rs. 350 crores estimated from this source, there was a shortfall of Rs. 400 crores. In view of this he did not think that they could go beyond Rs. 550 crores now. He also felt that although the actual for 1960-61 came up to more, there was no guarantee that this would happen again in subsequent years. Regarding Railways, he said that their contribution had been raised from Rs. 70 crores to Rs. 100 crores. He thought that they could expect more from the Railways but it had to be remembered that on several types of freight they charged below cost in order to foster the growth of certain industries. Competition from road transport in respect of items yielding profits had also to be reckoned.

With regard to surpluses from the public enterprises he said that the main source would be steel, but no firm commitments could be made right now so long before the years' end or oven later. Electricity undertakings were not likely to yield more because industry had to be given incentives in the shape of cheap power for development; there was also the programme for rural electrification.

The Union Finance Minister, **Shri Morarji R. Desai** stated that Rs. 800 crores had been estimated as net receipts from public loans but there was some uncertainty regarding this; the Reserve Bank's estimate is placed at Rs. 650 crores. Regarding small savings, he was of the opinion that the achievements of Gujarat or Maharashtra could not be taken as the basis for calculation because this had to be balanced against the relatively poor performance of other States. They had also to take into consideration the cooperative sector which would be obtaining a significant part of its requirement from small savings of cooperative societies, similarly it did not seem possible to raise more than Rs. 265 crores from provident fund. He pointed out that the aggregate from these various sources would be twice as large as in the Second Plan and should be taken as a realistically optimistic estimate.

The Union Finance Minister continued to say that the States had an overdraft of Rs. 61 crores from the Reserve Bank. If this continued in the future, they would be faced with a difficult situation. He exhorted the States to make maximum effort for mobilizing resources but cautioned that in making estimates they should not be carried away by the desire to have larger plans. He also advised that while raising resources at the Centre and States, taxation of the Centre and the State should not overlap. The Centre would have to raise excise duties which should be viewed to some extent along with the sales taxes in the States, because if both Central Excises and States' sales taxes are increased, prices will rise. As regards the L.I.C., the Finance Minister said that in estimating resources for the plan they must reckon as to what was feasible.

He agreed that rural insurance was a promising source but it was not going to make a significant contribution for the next 5 or 7 years. In regard to deficit financing, he said that prices during the Second Plan had already risen by 30 per cent. He added that bank credit was expanding but undue expansion would have an inflationary effect. As banks were holding Government securities at more than the prescribed minimum, they augmented the resources in the public sector. He next stated that if the Plan were to be raised beyond Rs. 7,500 crores, it would mean asking for larger foreign assistance which they could not possibly do. In addition there were several "must" items like defence expenditure which might go up. He concluded by saying that he would make every endeavour to raise maximum resources possible from every source and suggested that they could review the position from year to year.

80. Answering a point raised by the Union Finance Minister, the Finance Minister, Madras, **Shri Subramaniam** said that the balance from current revenues of States which showed a minus 50 crores performance against anticipated Rs. 350 crores was true only when the tax structure prior to the Second Plan was taken into consideration, but was not applicable to the Third Plan. Furthermore, all items should be considered together instead of singling out one item. On this basis, he added that as against the Rs. 800 anticipated the achievement was Rs. 1,000 crores.

81. The Minister of Railways explained that, the contribution of the Railways was not Rs. 100 crores but nearly Rs. 800 crores if they took into account their contribution towards 'depreciation fund' of Rs. 70 crores a year and contribution to 'General Revenue' at 4½% of capital investment on Railways.

82. The Chief Minister, Madhya Pradesh, **Dr. K. N. Katju** admitted that they had achieved the small savings target with difficulty. It was not possible to raise more as the villagers were also contributing for example for school buildings and this type of contribution was expected to increase with the development of Panchayati Raj. He also cautioned against optimism with regard to the possibilities of increasing State taxes in view of the limited scope they provided.

83. Member (Agriculture), Planning Commission, **Shri Shriman Narayan** drew the attention of the Council to paragraphs 12, 57 and 58 of the chapter under consideration and stated that while attending the meeting of the Savings Committee, they had shared the optimism of the Committee. He said that the amount of resources that could be raised was related to the kind of effort that was put in; he felt that there was scope for improving performance in this respect. He added that so far

as improvement in the State sector was concerned, if this was to be accomplished merely by transfer from the Centre, out of income tax and other taxes, then it would not be indicative of any net increase.

84. The Chairman stated that in a matter of this kind, there was always more than one approach and that they had all profited from the discussion. He drew attention to the point made by the Union Finance Minister about defence commitments which might be higher and inevitable and asked the Council to keep that in mind. He stated that he had been impressed by the statements of the Chief Minister of Maharashtra and Shri Subramaniam on behalf of the Savings Committee. The general impression given was that in the course of their examination, the Savings Committee had become more optimistic in the matter of raising additional resources. The position appeared to be much better than had been previously imagined, although, of course, there were uncertain factors like, foreign assistance. As regards the internal resources, he did not think that it was a question of statistical estimation. It is essentially the kind of approach to be conveyed to the people in order to create an atmosphere of optimism and an urge for achieving and over-fulfilling Plan targets. While conceding that a lot had been done towards this end, he felt that it was very far removed from the flaming enthusiasm that one should have for a cause. The Chairman went on to say that they were at the turning point in a historical epoch in India's history and of its advance but he did not think that it was reflected in the public mind at all. He said that any enthusiastic or dynamic people created resources out of thin air as it were though a banker might think differently. He also asked the Council to remember that although there was a great deal of talk about socialistic planning, one was constantly confronted by the fact that the existing structure of society in the country was capitalistic. It was not enough to have public undertakings, although this was a step in that direction. He said that even in their public undertakings, they were motivated by a sense of public service which was of average kind and devoid of the spirit of dynamism. The normal service attitude of doing the job competently with static thinking and static projections of things, he continued, was not good enough. He felt, however, that raising the figure beyond Rs. 7,500 crores was not particularly advantageous at the present stage. He wanted that for each public sector undertaking a precise target should be indicated which should, however, be a little more difficult of achievement than ordinarily possible. The Chairman also stated that although the present financial figure might be allowed to remain, the physical targets and the hopeful optimistic approach that the financial limits can and are likely to be more than indicated, should be brought out in the Plan.

85. The Finance Minister, Madras, **Shri C. Subramaniam** expressed the view that while he agreed that the NDC should review the resources once a year, this would not be sufficient. He wanted a small secretariat to be provided which would appraise various needs and prepare and circulate papers to the Members. He also suggested that the contribution of public sector enterprises estimated at Rs. 300 crores should be raised so as to avoid public criticism regarding the poor performance of the public sector as compared to the private sector.

86. The Chairman did not agree with the suggestion for the formation of a small secretariat for this purpose. He was in favour of a detailed annual survey by the NDC of the public sector undertakings on the basis of facts and figures and wanted the Planning Commission to keep the functioning of public undertaking constantly under review.

87. The Minister of Industries, **Shri Manubhai Shah** informed the Council that a brochure 'Public Undertakings' had been brought out which gave all the information. He also stated that to provide an incentive, public undertakings which achieved their targets would be given a certificate of merit every year.

88. The Finance Minister, Madras, **Shri C. Subramaniam** requested that before the chapter on Resources was approved the suggestions made by him regarding State Plans, the gap of Rs. 170 crores in the Social Services sector and industrial projects in the public sector should be considered.

89. The Chairman stated that as regard public undertakings, it might be stressed that they should be run on commercial basis and should show profits. He also accepted Shri Subramaniam's suggestions as stressed by other speakers that they should proceed ahead with the physical plan of Rs. 8,000 crores or so and that all projects included in the physical plan should be investigated and their preliminaries completed even if anyone of them were to be given up later. He especially emphasised the importance of going ahead with various educational programmes and warned that any delay that occurred would mean that they would miss a whole generation of school-going children and future trainees.

90. In reply to the Minister of Railway's, **Shri Jagjivan Ram** statement that the Planning Commission had not yet completed its examination of the likelihood of the transport and communication position worsening by the end of the Third Five Year Plan on account of additional traffic generated, Member (Industry) Planning Commission, **Shri T. N. Singh** said that the Planning Commission had suggested that work on several items like line-capacity, etc., be taken up and as much as possible of the Rs. 150 crores allocated, utilized within the first three years. The outcome of these measures had to be watched and he saw no reason why it should not be possible for the Railways to improve the position.

Following further discussion between Minister of Railways and Member (Industry) Planning Commission, the Chairman said that a committee under Shri Neogy had been working for over a year on the problem of rail and road transport and a lot of data had been collected. Its Report, when finally presented, would be very helpful. Although the total capacity of rail and road transport put together did not meet the target of total goods to be moved, difficulty arose when the two forms of transport competed against one another in the absence of proper coordination. The Neogy Committee was considering how to bring about a coordination between various modes of transport.

91. The Union Minister of Agriculture, **Dr. P. S. Deshmukh** referring to the observations made by Shri Sukhadia regarding economies in administration drew attention of the Council to the paucity of trained technical and administrative personnel. He also enquired, how and by whom was the suggestion for streamlining the administration and increasing efficiency in implementation to be carried out.

92. The Chairman observed that as regards development of oil resources estimates given in the draft were conservative as the present expectations were really higher. They had done remarkably well in oil exploration on which bulk of the expenditure is incurred. He then said that he had been informed that additional expenditure outside the present Plan might be required. Such investment would prove very remunerative and yield return within the plan period itself. The work done by Oil and Natural Gas Commission which had been eminently successful, compared favourably in costs and returns with that of the big oil companies. He informed the Council that the Commission had just concluded an agreement with the Burmah Shell with regard to the Assam area. It was a fair agreement and set a model for future agreements.

The Finance Minister, Madras, **Shri C. Subramaniam** said that some work was being done in Cauvery Basin also and he was hopeful about it. He wanted this to be mentioned in the draft. The CHAIRMAN also referred to Jaisalmer which was a good area. Negotiations in respect of this area did not succeed with the Standard Oil Co., but he was hopeful that the situation would change after some time. The Chief Minister, Rajasthan, **Shri M. L. Sukhadia** stated that it was more or less a proved area and although work was to be taken up in the Third Plan, no mention had been made of it in the draft. Member (NR) assured that Cauvery Basin and Jaisalmer would be mentioned in the Plan. Minister of Steel, Mines & Fuel (Sardar Swaran Singh) said that they were negotiating about Jaisalmer area with Standard Vacuum Oil Co. which had also discovered valuable gas fields on the other side of the border in Pakistan. It was not yet a proved area but exploratory work was being carried out. If they were unable to negotiate with the Standard Vacuum Oil Co., there were other companies which appeared interested in the area.

The Chairman stated that the task of exploration and exploitation of oil was a big undertaking. Large areas were being developed by the Government and this entailed heavy burdens. Accordingly in respect of other areas, they had to negotiate agreement with private oil companies. Regarding Jaisalmer they had to keep in mind that it was a frontier area and created difficulties from the point of view of foreign relations. He had no doubt however that they should proceed with it.

The Chairman then suggested taking up Chapter V, Third Plan in Outline and pointed out that the figure of 7.9 million tons given on page 17 of the chapter as the petroleum target was very low.

93. The Union Minister of Steel, Mines and Fule, **Sardar Swaran Singh** explained that this only included the Nunmati and Barauni Schemes and that Gujarat was not included as work had not been started there. He agreed that it would be advantageous to indicate that 7.9 million tons did not include petroleum products from the new proposed refinery in Gujarat.

94. The Chairman remarked that the chapter on oil which the Planning Commission prepared had become out of date due to information received subsequently.

95. The Minister of Steel, Mines & Fuel, **Sardar Swaran Singh** also pointed out that all the details about oil refineries had been given at different places in the Plan, and not at one place so that an impression is gained that certain things have been omitted.

96. In clarifying the steel output targets given in Chapter V Union Minister for Steel, Mines and Fuel explained to the Chairman that the figure of 6.7 million tons given in the Chapter was in terms of finished products and exclusive of Bokaro. It was believed that Bokaro Steel Plant would reach the production stage only towards the end of the Plan. In that event, total production of finished steel could amount to 7.5 million tons, corresponding to the target of 10 million tons steel ingots. He suggested that figures to be given in the Plan for steel should be in terms of ingot and not finished steel. He explained that as the Durgapur Steel plant was the last to be started and had not gone into production, it would be unrealistic to assess performance on the basis of production statistics. Answering the point raised by Finance Minister, Madras that all factors should have been taken into consideration in fixing the Second Plan targets for steel, he stated that the time schedule fixed was much too tight. They were trying to be more realistic in the Third Plan.

97. Some enquiries were made as to whether Defence production, which had been considerable, had been included in the targets indicated in the Plan. It was explained by Member (Industry) and by Dy. Chairman, Planning Commission that figures of Defence production had been added to civil production and included in the Plan.

98. This was followed by an exchange of views between the Chairman, the Chief Minister of Madhya Pradesh, the Union Minister for Steel, Mines and Fuel, Member (Industry) and Member

(IT&D), Planning Commission, Chief Minister, Rajasthan and the Union Minister of Oil regarding the setting up of an aluminium plant and production of copper. It was generally agreed that more details regarding the production of these and other items should be included in the Chapter. The fact that foreign exchange for the exploration and exploitation of copper deposits and Rajasthan had been arranged, should also be mentioned.

The Chairman then asked the Union Minister of Oil to tell the Council about Ankleshwar.

99. The Minister of Oil, **Shri K. D. Malaviya** explained that there were two stages of crude oil production. In the first stage, called the trial production, oil was produced for a few months to watch the pressure and other physical trends so as to get a clear idea of production pattern per annum. This has already been done in Assam for the last one year. In Ankleshwar, oil was discovered only a year ago and they had already drilled 11 wells and established oil in 9. After observing pressure for a few months, they would be able to determine production per annum and lay down, by the middle of next year, the production programme. They would be producing oil in any case from December, if not earlier, at the rate of 1,500 tons of oil per day which would be sent for processing to Bombay refineries. Tentatively, it might be said that between 1½ to 2 million tons would be produced in Ankleshwar. The total estimated availability of 30 to 40 million tons could only be established by the middle of next year. He, however, anticipated some difficulty in respect of transport of crude oil to Bombay as the Railways had not clearly indicated that they would be able to supply the requisite number of wagons. He, therefore, had suggested to Finance Ministry to consider import of a number of wagons from abroad against the sanctions that had already been made.

On a query from the Chief Minister, West Bengal, the Union Minister for Oil stated that Barauni programme had been settled and he hoped that by the end of 1962 part, and by the end of 1963, practically the whole of the plant would be functioning. Gauhati would start production even before the end of the year but because of wagon difficulties, they were proceeding slowly. If they get the required number of wagons, the position would ease. The Unoin Minister for Steel, Mines and Fuel clarified that in the case of oil, production was synonymous with refining capacity, in the sense that whatever crude oil was produced had to be refined and the two figures did not differ. CHAIRMAN said that they had very informative talks. Chapter on Price Policy was then taken up for discussion.

100. The **Deputy Chairman**, Planning Commission, mentioned that the constituents of price policy had been given at the end of the chapter. The methods indicated were well known and had been spelled out in the chapter. As production targets were high, pressures tending to raise prices would be under check. Nevertheless we should be prepared to experience strains and price increase at different points in the economy because of the very size of the investment. While this may be true, rise in the price of goods should not be allowed to occur. This could be achieved through maintenance of buffer stocks and purchase and sale in open market. Suitable machinery had to be provided to keep prices on an even keel. At the same time, it was necessary to ensure the farmer an adequate return by fixing floor prices. To safeguard the interests of the consumer, consumer's cooperatives should be formed so that there is effective control on distribution and a check on prices. In the case of luxury and semi-luxury goods, increases had to be allowed to raise more resources. They should also have State trading for making available imported commodities in respect of which very high margins of profit were being reaped by private traders. Extension of storage facilities was also an important ingredient of price policy in maintaining buffer stocks and for carrying out open market operation.

101. The Chief Minister, Gujarat, **Dr. Jivraj N. Mehta** said that there was a feeling among farmers that they did not get the full benefit of increased production. He particularly mentioned the accumulation

of stocks of cotton in Gujarat and in the South and stressed that the farmers were anxious to know the fate of such stocks if they were to grow more as required in the Third Plan. He felt that some arrangement should be made by which cotton stocks, when they accumulated, could be taken over.

102. The Union Finance Minister, **Shri Morarji Desai** stated that in the year before last, cotton was in very short supply because of production of 38 lakh bales as against a demand of 50 lakh bales, resulting in increase in prices. They had now been able to get cotton under PL 480 and there was more production also, resulting in lower prices. The agriculturists should not expect the same price as last year. The mills also did not take this cotton and they were able to take up quotas of imported cotton first. In the case of jute also, there was a surplus three four years ago, resulting in lowering of prices. They were, however, trying to see that all the cotton was taken up.

103. Member (Perspective Planning), Planning Commission, **Prof. P.C. Mahalanobis** believed that the solution of the problem at the physical level was simple. They should have two prices, floor prices and ceiling prices, and the Government should engage in open market operations involving purchase of commodities at the minimum prices and selling when the prices rose abnormally. Development of adequate warehousing facilities was, therefore, imperative.

104. After some discussion it was decided that State Governments might send their comments on other parts of the Draft to the Planning Commission.

The meeting was, thereafter, adjourned.

PARTICIPANTS

PLANNING COMMISSION

1.	Shri Jawaharlal Nehru	.. .. ..	Chairman
2.	Shri Gulzarilal Nanda	.. .. ..	Deputy Chairman
3.	Shri Morarji R. Desai	.. .. ..	Member (Finance)
4.	Shri V.K. Krishna Menon	.. .. ..	Member (I.T. & D.)
5.	Shri C.M. Trivedi	.. .. ..	Member (N.R.)
6.	Shri Shriman Narayan	.. .. ..	Member (Agriculture)
7.	Shri T.N. Singh	.. .. ..	Member (Industry)
8.	Dr. A.N. Khosla	.. .. ..	Member (Education)
9.	Prof. P.C. Mahalanobis	.. .. ..	Member (P.P.)
10.	Shri S.N. Mishra	.. .. ..	Dy. Minister of Planning
11.	Shri L.N. Mishra	.. .. ..	Dy. Minister of Planning and Labour and Employment
12.	Shri Vishnu Sahay	.. .. ..	Secretary

STATES

1.	Andhra Pradesh	.. .. ..	1. Shri D. Sanjivayya, Chief Minister
			2. Shri K. Brahmananda Reddy, Minister of Finance
			3. Shri P. Ranaga Reddy, Minister of Planning
2.	Assam	.. .. ..	1. Shri F.A. Ahmed, Minister of Finance
3.	Bihar	.. .. ..	1. Shri B.N. Jha, Chief Minister
			2. Shri L.N. Jha, Dy. Minister of Planning
			3. Shri Ambika Saran Singh, Dy. Minister of Finance

			4. Shri L.P. Sahai, Dy. Minister of Information
4.	Gujarat	.. .. ..	1. Dr. Jivraj N. Mehta, Chief Minister
5.	Jammu and Kashmir	.. .. ..	1. Bakshi Ghulam Mohammad, Prime Minister
			2. Shri D.P. Dhar, Minister of Planning
6.	Kerala	.. .. ..	1. Shri P. Thanu Pillai, Chief Minister,
			2. Shri R. Sankar, Dy. Chief Minister
7.	Madhya Pradesh	.. .. ..	1. Dr. K.N. Katju, Chief Minister
			2. Shri M.L. Gangwal, Minister of Finance
			3. Shri S.L. Tiwari, Minister of Public Works
			4. Shri Sitaram Jajoo, Dy. Minister of Planning
8.	Madras	.. .. ..	1. Shri K. Kamaraj, Chief Minister
			2. Shri C. Subramaniam, Minister of Finance
9.	Maharashtra	.. .. ..	1. Shri Y.B. Chavan, Chief Minister
			2. Shri S.K. Wankhede, Minister of Finance
			3. Shri G.D. Patel, Dy. Minister of Planning
10.	Mysore	.. .. ..	1. Shri B.D. Jatti, Chief Minister

		2. Shri N.M. Channabasappa, Minister of Public Works
11. Orissa	.. .. ..	1. Shri Y.N. Sukthankar, Governor
12. Punjab	.. .. ..	1. Sardar Partap Singh Kairon, Chief Minister
		2. Shri Mohan Lal, Minister of Industries
13. Rajasthan	.. .. ..	1. Shri M.L. Sukhadia, Chief Minister
		2. Shri R.K. Vyas, Home Minister
		3. Shri Bheeka Bhai, Minister of Irrigation
14. Uttar Pradesh	.. .. ..	1. Shri C.B. Gupta, Chief Minister
		2. Shrimati Sucheta Kripalani, Minister of Development
15. West Bengal	.. .. ..	1. Dr. B.C. Roy, Chief Minister

UNION MINISTERS

1. Shri Jagjivan Ram	.. .. ..	Minister of Railways
2. Sardar Swaran Singh	.. .. ..	Minister of Steel, Mines & Fuel
3. Shri K.C. Reddy	.. .. ..	Minister of Commerce & Industry
4. Hafiz Mohd. Ibrahim	.. .. ..	Minister of Irrigation & Power
5. Dr. P. Subbarayan	.. .. ..	Minister of Transport & Communications
6. Shri D.P. Karmarkar	.. .. ..	Minister of Health
7. Dr. P.S. Deshmukh	.. .. ..	Minister of Agriculture
8. Shri K.D. Malaviya	.. .. ..	Minister of Mines and Oil
9. Shri Raj Bahadur	.. .. ..	Minister of Shipping
10. Shri Manubhai Shah	.. .. ..	Minister of Industry

11.	Dr. K.L. Shrimali	.. .. ..	Minister of Education
12.	Shri S.K. Dey	.. .. ..	Minister of Community Development and Cooperation
13.	Shri B.R. Bhagat	.. .. ..	Dy. Minister of Finance
14.	Shri A.M. Thomas	.. .. ..	Dy. Minister of Food
15.	Smt. Tarkeshwari Sinha	.. .. ..	Dy. Minister of Finance
16.	Shri B.S. Murthy	.. .. ..	Dy. Minister of Community Development and Cooperation

NINETEENTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : NOVEMBER 4 AND 5, 1962

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE NINETEENTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

ITEM I. REORIENTATION OF DEVELOPMENT IN THE STATES IN VIEW OF THE EMERGENCY

At its meeting on November 4 and 5, 1962, the National Development Council will consider questions relating to the reorientation of development plans and measures required for mobilising resources and for increasing agricultural production to meet the emergency which has arisen. The Council will also consider proposals concerning measures relating to prices of essential commodities and the organisation of civil supplies.

2. The Plan has been the major instrument in the economic and social reconstruction of the country. In the new situation, the Plan must fulfil this purpose even more directly and in terms of action and results in the short period. Certain priorities in the Plan have necessarily to be rearranged and adapted to meet the present requirements. In several directions the effort under the Plan will need to be strengthened. In all fields implementation must become much more efficient. For a period, a number of activities, important in themselves and for long term development, will have to be deferred or scaled down. The various adjustments which are called for should be made without delay as speedily as possible, but always in a planned and well-considered manner and keeping in view the overall national interest. In Annexure I to this paper, the directions in which there has to be strengthening and reorientation of developmental activities are set out as a draft for the consideration of the National Development Council. The conclusions indicated by the National Development Council in the light of suggestions which Chief Ministers may make will constitute directives for further action in the States.

3. The scope of the reorientation now needed has to extend beyond the programmes embodied in the Third Plan. It has to encompass development expenditures outside the development plans and expenditures incurred on non-developmental activities and services. Economic mobilisation in the present emergency has to be necessarily a total and all-inclusive effort in which all available resources, whether in money or manpower or materials or existing capacity, must be put to the maximum use in relation to the objectives to be gained. In every field, what is nonessential and less essential has to give way to what is urgent and essential and calculated to contribute directly to the achievement of set objectives.

4. The purpose of this paper is a limited one, namely, to set out for the consideration of the National Development Council some preliminary suggestions concerning reorientation of development in the States with a view specially to obtaining further suggestions from the Chief Ministers. It should be emphasised that the plans of States are an integral and vital part of the National Plan. They include some of the most important areas of development, specially, the rebuilding of the rural economy through agriculture, community development and cooperation, development of irrigation and power, village and small industries, roads and road transport, education, health and other social services. The annual Plans for 1963-64 have to be formulated so as to give effect to the directives which the National Developmental Council may approve. To the extent possible,

the plans for 1962-63 which are already under implementation should also be modified in accordance with the directives.

5. Early in October the Planning Commission had requested State Governments to draw up their plans for 1963-64. The Planning Commission's letter mentioned a series of important considerations to be kept in view in drawing up the Annual Plan for 1963-64. These are set out in an annexure of this paper (Annexure II). To a large extent these considerations will remain valid in the new situation but, obviously, certain activities will have a lower priority in the immediate future. Also, to some extent, in the present circumstances, advance action for the Fourth Plan will be more difficult.

6. Discussion on the Annual Plan for 1963-64 were originally intended to commence about the middle of November. It has since been decided that instead of any elaborate discussions in Delhi, State Governments should themselves take the necessary decisions in consultation with Planning Commission's Advisers, Programme Administration. The requisite information regarding the plans should be made available in abbreviated form (on lines which will be indicated) and the Advisers will bring the suggestions of the Planning Commission and the Central Ministries to the notice of State Governments at the time of finalisation of the plans.

7. To permit the necessary flexibility to States to adjust between different heads of development and to intensify action along certain directions, the present patterns of Central assistance will be immediately simplified. State Planning Secretaries will be consulted on this and other aspects of implementation.

8. The Centre will be called upon now to bear extraordinarily heavy burden, the magnitude of which cannot be precisely estimated yet. States will also have to incur expenditure on several new activities arising from the emergency. Large amounts of purchasing power will be released and the supply of many goods for civil consumption will have to be restricted. In the circumstances, both for economic reasons and for stepping up development and production related to the Defence effort, the utmost economy will have to be observed. This should be done first in relation to the State Plans for 1962-63. For the State Plans for 1963-64, earlier it had been intimated that the Central assistance would be of the order of Rs. 450 crores and that State resources might amount to about Rs. 275 to 300 crores. It is now envisaged that the total outlay in the States in 1963-64, might be placed at about Rs. 675 crores, of which Central assistance might account for about Rs. 400 crores.

9. Suggestions regarding the lines on which States may adapt their Plans and other activities, both for 1962-63 (to the extent possible) and for 1963-64, are set out in the Annexure under the following heads :

I. Strengthening of Planning Machinery in the States.

II. Organization for prices and civil supplies.

III. Mobilization of resources and savings.

IV. Nature of adjustments in the State Plans for 1963-64.

V. Review and rephasing of projects.

VI. Trained manpower.

VII. Economies in construction.

VIII. Intensification of agricultural production.

IX. Roads and road transport.

X. Organization of production through small industries.

XI. Selective approach in social services.

XII. Efficiency in administration and implementation.

In the light of the advice of the National Development Council further detailed instructions will be drawn up.

November 1, 1962.

ANNEXURE I

Suggestions for reorientation of Development in the States

I. Strengthening of Planning Machinery in the States

Final decisions will have to be taken at the State level on many matters on which formerly consultations took place with the Planning Commission and the Ministries. The Plans of States will have to be reoriented speedily for the Defence effort and many schemes will have to be reviewed. In the light of the overall priorities, instructions will have to be issued also to Zila Parishads and Panchayat Samitis. A close watch will also have to be maintained on the economy of the State, price levels, supplies, manpower plans, etc. This is an appropriate time, therefore, for strengthening the machinery in the States for taking decisions affecting plans and for ensuring the closest possible integration between National and State plans. It would be desirable now to set up State Planning Boards. Statistical Bureaus should be closely associated with them.

II. Organisation for Prices and Civil Supplies

State Governments should set up immediately the necessary organizations at State and district level for ensuring supplies for civil consumption and for maintaining prices at reasonable levels. In respect of food, cotton textiles and drugs and medicines, detailed instructions will be intimated by the Central Ministries concerned. A large network of cooperative and other consumer stores has to be set up immediately in accordance with a scheme drawn up by the Ministry of Community Development and Cooperation, Department of Cooperation. These stores have to be set up immediately and arrangements made to ensure adequate supplies to them.

III. Mobilization of Resources and Savings

1. A number of schemes for mobilizing savings for the Defence effort have been announced by the Union Finance Ministry. These include the National Defence Bonds, Defence Deposit Certificates, National Defence Certificates and Premium Prize Bonds. Other steps will be announced from time to time. Every citizen can and has to contribute his mite to this effort. The State Governments will have to mobilize the entire machinery of the administration, the local bodies and the voluntary organizations so as to reach out to every section of the community on a continuing basis. Corresponding administrative arrangements to facilitate contributions by the people have to be established at every level.

2. To secure resources for vital purposes, both Plan and non-Plan expenditures should be economised to the greatest extent possible. Economies in staff are equally necessary for conserving trained manpower.

3. There are large arrears in collections of taxes and of loans due to Government. Every effort should be made to improve recoveries.

4. The present emergency makes it even more necessary that the programme of additional taxation accepted for the Third Plan should be implemented. But this will not be enough. Each source of revenue should be reviewed regularly and systematically from the point of view of possibilities of augmenting its yield in different ways.

5. To the extent possible, payments such as Bonus, Gratuities, etc. should be given in the form of Defence savings.

IV. Nature of Adjustments in the State Plan for 1963-64

To make maximum contribution towards the Defence effort in the immediate future, priorities in the State plans have to be reviewed. This involves-

(a) re-examining the priority of activities which are not sufficiently closely related to present needs,

(b) rephasing large projects so as to reduce the claims on scarce resources (materials, foreign exchange, etc.) and to produce the largest possible results in the short run,

(c) intensifying action for increasing agricultural and industrial production,

(d) making the most effective use possible of trained manpower and multiplying facilities for training of personnel, including shortening of training periods,

(e) strengthening the administrative machinery at each level and mobilizing fully the leadership and machinery of Zila Parishads, Panchayat Samitis and Panchayats of municipal bodies in the urban areas and of voluntary organizations,

(f) reviewing existing loan policies of Government, substituting, as far as possible, assistance in kind for assistance in cash, and limiting assistance to essential purposes and for parties really in need, and

(g) ensuring maximum use of local resources.

The various projects and schemes being implemented in the States have to be reviewed quickly in the light of these broad suggestions and the necessary decisions to rephase, defer or scale down, as the case may be, taken at a very early date.

V. Review and Rephasing of Projects

(a) General

(i) Every project under construction should be reviewed with a view to speeding up of its flow of benefits.

(ii) The priority of every project, now in progress or planned for implementation, should be tested in relation to present Defence needs and early addition to production potential.

(iii) Preference should be given to small and medium-sized projects which are capable of yielding results quickly, say, within one year or at the most two years.

(iv) Long-term projects already in progress should be suitably rephased so as to reduce present claims on scarce resources.

(v) Utilization of existing capacities of projects already completed should be ensured and of those nearing completion should be speeded up.

(vi) Efficient maintenance is of the utmost importance; but foreign exchange expenditure required for maintenance should be cut down to the maximum extent possible.

(b) Irrigation and Power.

(i) All measures needed for utilizing fully the irrigation potential of existing projects and those nearing completion should receive immediate attention.

(ii) Completion of medium irrigation schemes in progress should have first priority as against new medium schemes and all medium schemes should have absolute preference over large projects.

(iii) Subject to certain exceptions, large major projects, on which comparatively small expenditures have been incurred (say, 10% of estimated cost) should be rephased and deferred as far as possible.

(iv) Existing flood control embankments should be strengthened adequately. The execution of flood control works should be speeded up. In respect of new flood control works, only short-term ones should be taken up.

(v) Power development has high priority for Defence production. Supplementary programmes for additional capacity, where feasible on a short-term basis, may be taken up.

(vi) In operating plants and power systems the maximum efficiency should be ensured through proper maintenance, avoidance of heat losses in thermal plants and reduced transmission and distribution losses.

(vii) All non-essential power loads should be restricted. Where necessary, additional charges should be levied for such loads.

(c) Industrial projects.

(i) Completion of projects which are well advanced should be expedited.

(ii) Projects on which there has not been much progress so far should be rephased and deferred unless they are related to production for Defence or for essential civil supplies.

(iii) Schemes relating to Industrial Development Areas may be deferred.

(iv) Loans and assistance from State Financial Corporations and State Industrial Development Corporations should be channelled for production and development related primarily to Defence efforts.

VI. Trained Manpower

1. Heavy demands will be made for experienced technical personnel. In many existing activities, it will be necessary to carry on with fewer experienced workers. Trained personnel will have to be allocated for new duties within and outside the State. To take the necessary decisions regarding trained manpower, allocate personnel in short supply and step up training programmes, there should be an adequate high level machinery at the state level.

2. Present plans for training skilled craftsmen should be further enlarged. Similarly, other short-term training programmes have also to be enlarged. The broad categories of personnel likely to be required in increasing numbers can be assessed by each State Government. Further indications will be given by the Central Ministries concerned.

3. The load of general administrative duties in the districts will increase considerably. Arrangements for necessary expansion of the State Administrative Services, both Class I and Class II, should be made.

VII. Economies in Construction

1. For effecting economies in the cost of major-construction projects, a series of suggestions have been made by the Planning Commission in a Memorandum forwarded to State Governments with its letter No. Hou/ 9(6)/58 of May 16, 1962. All project authorities should be directed to give effect to these recommendations to the utmost extent possible, in particular, through better planning, inventory control, use of departmental and other construction agencies of a public character, regular and prompt payments, etc.

2. Construction workers should be put through short periods of training, so that their skills improve and construction can be undertaken with efficiency and economy and without waste of materials.

3. In every case, there should be resort to cheaper construction lower specifications and semi-permanent construction, requiring minimum use of scarce building materials. Local materials should be used to the maximum extent.

4. Private construction should be restricted and controlled. Minimum use of scarce building materials in such private construction as may be allowed is essential.

VIII. Intensification of Agricultural Production

(a) General.

(i) The most important contribution which State plans can make is to achieve a rapid increase in agricultural production. The Third Plan itself embodies large-scale programmes for agriculture and provides substantial resources. By and large, agricultural programmes are not yet intensive enough and the organization of supplies and services has to become much more efficient. Local communities and their leaders must be fully involved in the production drive.

(ii) In August, 1962 [letter No. F.25-1/62-GMF (CO) dated August 20, 1962, from the

Ministry of Food and Agriculture] States were asked to step up by 20% the Third Plan targets for areas to be benefited by minor irrigation (12.8 million acres) and by soil conservation on agricultural lands (11 million acres), and additional resources for the purposes were provided. These targets should now be stepped further in every State, so that 50% increase is realised.

(iii) Special stress has been laid on securing urgent increases in the production of cotton and oilseeds. The measures to be taken and the programmes to be implemented have been outlined in a series of recent communications from the Ministry of Food and Agriculture, Department of Agriculture [letters No. 7-12-61-Com.II dated June 16, 1962, No. 1-42/62-Com.III dated July 26, 1962, No. 7-12/62-Com.II dated September 4, 1962, No. 7-26/62-Com.II dated September 28, 1962 and No. 8(31)/62-Com.III dated October 9, 1962].

(b) Intensive agricultural programmes.

(i) To intensify efforts for increasing agricultural production and to harness the energies of the people, the main emphasis should be on—

(a) programmes which the people can themselves undertake by organising themselves, e.g., digging of field channels for utilizing irrigation from large and medium projects, maintenance of bunds and field channels, contour bunding, digging and maintenance of village tanks, development and utilization of local manurial resources, village fuel plantation, etc.

(b) programmes for minor irrigation, soil conservation and dry farming,

(c) making available, efficiently and as far as possible in kind, credit, fertilizers, improved seed, assistance for plant protection, improved implements, etc. on the basis of programmes covering each agricultural family and each village,

(d) intensive educational campaigns to induce large numbers of farmers to adopt improved agricultural practices,

(e) development of local manurial resources, including green manures, composting and utilization of night soil, and

(f) making more efficient and economical use of water.

(ii) These programmes should be undertaken intensively and on a concentrated basis through—

—Village production plans in every village.

—Area plans for all areas with irrigation and assured rainfall.

—Intensive agricultural districts under the 'package programme'.

—Intensive areas for cotton and oilseeds as demarcated recently.

(c) Reorientation of Community Development.

(i) In community development blocks village level workers should now be given one set of tasks, only to carry out, namely, organizing agricultural extension and supplies and helping the Village Panchayat and Cooperative to draw up and implement the Village Production Plan.

(ii) For the time being, apart from maintenance of social services already established and extension of rural water supply, the funds allotted to Community Development Blocks should be diverted to the utmost extent possible for agricultural development.

(iii) The target for extension of dry farming, which has been placed in the Third Plan at 22 million acres, should be increased to 50 million acres. Responsibility for realising this should be placed squarely on the Community Development Organization. The target should be broken down through Zila Parishads and Panchayat Samitis by Districts, Blocks and Villages.

(d) Production of fruits, vegetables, fish, eggs and milk.—Production programmes relating to these subsidiary foods should be intensified, especially those which are capable of speedy execution. Special efforts should be made in the vicinity of cities and towns. Detailed proposals for intensifying present programmes have been formulated and will be sent to States.

(e) Cooperation.—Execution of Plan programmes for cooperative credit, cooperative marketing and cooperative farming should be speeded up. Organization of labour cooperatives and consumer cooperatives should be undertaken as immediate priorities.

(f) Rural works programme.—The rural works programme will be continued, but it will be concentrated on works relating to agricultural production and in areas which have been markedly backward in development.

IX. Roads and Road Transport

1. Roads and bridges of strategic importance and trunk routes should be strengthened. The first priority should be to strengthen weak bridges on strategic roads and trunk routes. Special attention should be given to missing links. New road programmes and programmes relating to construction of roads of lower priority should be deferred.

2. Programmes for expanding fleets of nationalised undertakings for passenger services should be held in abeyance or curtailed to the minimum and where possible, deferred.

3. Road transport services in the private sector, specially for goods traffic, should be reorganised, as far as possible, on the basis of pooling of vehicles. This would make it possible both to utilise available capacity to the maximum advantage and to release a proportion of vehicles for use in other areas.

X. Organisation of Production through Small Industries

1. To realise the full production potential of small industries, both for Defence and for meeting requirements of civil consumption, State Governments should strengthen their organisations for placing orders, providing specifications and technical guidance, supplying raw materials and other facilities, financing production and taking over the goods produced.

2. Loans under the State Aid to Industries Act should be so channelled that small industries producing for Defence and civil needs are able to make their maximum contribution.

3. Special short-term training programmes for artisans should be undertaken for securing production of new articles required for Defence and civil needs. Besides utilising small entrepreneurs, artisans' cooperatives should be strengthened, in relation to specific programmes.

4. The programme of industrial estates should be reviewed and rephased; in its implementation costly items of expenditure should be eliminated as far as possible. Industrial estates should be utilised, not so much for enabling existing entrepreneurs to shift from old to new sites, but as production centres for meeting specific Defence and civil needs. For these, necessary facilities and assistance should be organised in industrial estates, industrial townships etc. which have been already developed.

5. Small industries programmes involving use of foreign exchange should be deferred.

6. Production of handicrafts which have an export market should be expanded.

XI. Selective Approach in Social Services

In the Third Plan an attempt is being made to make up for lags in education, health and other social services, and recently efforts have been made to strengthen the Plan in certain directions. For a period, in view of the emergency, it becomes necessary to adopt a selective approach in all social services. This would involve reduction and even postponement of many activities which are undoubtedly important in themselves and have greater significance for the future, but are not related closely enough to immediate needs. Each State should review its programme of social services and consider which of the activities could be diminished, rephased and postponed. At the same time, there are directions in which efforts should be intensified. Some suggestions are offered below.

(a) Education

(i) In primary schools, specially in classes I and II, double shifts may be introduced.

(ii) Facilities for teaching in science and in technical subjects at the secondary level should be expanded further and improved.

(iii) Programmes for NCC and ACC should be expanded; also physical education.

(iv) Targets for technical education should be raised. By ensuring the utmost economy in respect of buildings, these higher targets should be realised without increasing financial provisions under the Plan.

(v) To the utmost extent, educational buildings should be put up with local materials, and existing buildings should be used intensively.

(vi) All economies possible in the expansion in education at the secondary stage should be achieved.

(vii) Programmes for conversion of high schools into higher secondary schools and for primary schools into basic schools should be staggered.

(viii) Proposals for opening new universities and new arts colleges should be postponed. This may be counterbalanced by increase in admission capacity in some of the smaller colleges.

(ix) Schemes for expanding cultural programmes may be held in abeyance as far as possible.

(b) Health

(i) The National Malaria Eradication Programme should be continued as at present.

(ii) Training programmes for medical and paramedical personnel should be expanded, and periods of training shortened wherever possible.

(iii) The urban water supply programme should be staggered over a longer period.

(iv) Expansion programmes for hospitals and dispensaries should be rephased. Wherever construction is necessary, it should be of the cheaper kind.

(v) New schemes should not be sanctioned unless they are urgent and related to present requirements.

(c) Welfare of backward classes.

In Tribal Development Blocks, special attention should be given to agriculture and to improvement of communications related to marketing of agricultural produce.

(d) Social Welfare

The activities of voluntary social service organisations, welfare extension projects and social welfare staffs should be directed towards meeting the needs of the present situation.

(e) Housing

(i) Generally, housing programmes will have to be slowed down, including industrial housing, low income housing and slum clearance.

(ii) Land acquisition programmes should go forward, but, as far as possible, payments should be made in Defence Bonds, Defence Certificates, etc.

XII. Efficiency in Administration and Implementation

Every possible effort must be made to achieve the maximum speed and efficiency in administration. Some obvious directions in which a great deal can be done are the following:—

(i) The tasks to be undertaken by every organisation should be clearly specified.

(ii) Responsibility for carrying out the tasks should be clearly assigned and fixed.

(iii) In each organisation the maximum use should be made of middle grade personnel.

(iv) Procedures should be streamlined.

(v) Correspondence and noting should be cut down.

(vi) Instructions for economy in the use of paper, stationery, etc. should be enforced.

(vii) The maximum responsibility should be placed on representative bodies for organising various activities among the people.

(viii) Full use should be made of the services of voluntary organisations.

(ix) The people should be reached by every means possible and informed accurately and systematically.

(x) Every citizen should be enabled to take his full share in the common effort.

ANNEXURE II

Extract from PC letter No. PC(P)2/62 dated October 3, 1962 regarding State Plans for 1963-64.

Important considerations relating to the Annual Plan for 1963-64.—Being the third year of the Plan period, 1963-64 is crucial for the success of the Third Plan. The keynote for the year must be to produce the maximum possible impact on the economy through efficient implementation and full use of the available capacities in all sectors. There is no gainsaying that the intensive and concentrated effort and the coordinated use of the available resources which constitute the basic condition for achieving the targets set in the Third Plan have yet to be realised. This is true of almost every field of development. Consequently, the results achieved so far fall below expectations; the deficiencies have to be identified and made good to the utmost extent possible during the coming year.

The most fundamental of the objectives in the plans of States concerns agricultural production. Recently, additional measures have been proposed for intensifying programmes relating to increased production of cotton and oilseeds, and accelerating the minor irrigation and soil conservation programmes. It is urgent that the tempo envisaged for agriculture in the Third Plan must be reached as speedily as possible. In this connection, it is requested that action on the outstanding recommendations of the Agricultural Administration Committee's Report should be completed as a matter of very high priority.

The increase in population and the labour force makes it a matter of great importance that through efficient and coordinated implementation at the block and district level there should be the largest possible impact on the employment situation. Programmes included in the Plan are now being supplemented by the rural works programme. This programme is to be expanded considerably early in 1963, the extent of the expansion being determined largely by the character and adequacy of the administrative and technical organisation established by the State Governments. A separate letter is being addressed on the next phase of the rural works programme. The proposals of each State will be considered in detail at the time of Annual Plan discussions. A new programme for rural industries projects has also been introduced.

In recent months, attempts have been made to strengthen the plans of States in several directions and to remove weaknesses which have been observed, as for instance, in respect of girls' education at the primary level, surveys for rural water supply, control and eradication of communicable diseases, acceleration of the adult literacy and education programme, resettlement of landless agricultural labour, organisation of labour and construction cooperatives, provision of house-sites for landless agricultural workers, measures for speeding up development in areas which have been markedly backward, and the preparation of development plans for selected cities.

One of the important directions in which implementation in the Third Plan is lagging behind in most States is the programme for cooperative development. In part, this has been due to inadequate allocations within the State Plans. The Planning Commission and the Ministry of Community Development, Panchayati Raj and Cooperation suggest that special efforts should be made in 1963-64 to make up for such deficiencies as might have occurred during the first two years of the Plan by ensuring adequate financial provisions for cooperative development and taking other necessary steps. It is hoped that, subject to administrative considerations, the provision for cooperation in 1963-64 will be of the order of 25% of the outlay over the five-year period.

In view of recent price trends, production programmes relating to fruits and vegetables, milk, poultry and fish have to be intensified. It is also essential to speed up the establishment of consumers' cooperatives and consumer stores. Adequate provisions should in the Annual Plan be made for carrying out the programmes included in the plans of States. Proposals for further strengthening these programmes are at present under consideration.

Advance action for the Fourth Plan: It is an integral element in the implementation of each Five Year Plan that appropriate action should be taken each year with a view to ensuring that in the following Plan there will be a continuous flow of benefits to meet the growing requirements of the economy. This is true of all sectors and more specially of agriculture, irrigation, power and road development and of programmes for the training of personnel. These require steps concerning planning and investigation as well as such preliminary measures as acquisition of land, preparatory civil works, and where necessary, ordering of equipment. It is suggested that each State Government may make proposals for advance action, along these lines for the Fourth Plan.

ITEM II. PROPOSALS RELATING TO PRICES OF ESSENTIAL COMMODITIES

Three papers on the subject of prices of essential commodities, which have been recently considered by the Union Cabinet, have been circulated by way of background to the members of the National Development Council. These papers deal with general issues regarding Price Policy and set out proposals relating to Foodgrains, Cotton Textiles and Drugs and Medicines. Other essential commodities which are specially important are Sugar, Woollen textiles and Kerosene oil. Besides these, production programmes in respect of subsidiary foods, such as fruits and vegetables, fish, meat, eggs and milk are proposed to be greatly intensified.

I. Price Intelligence and Price Stabilization

2. Recent examination has shown that the present arrangements concerning collection, study and utilization for policy and administration of information on retail prices must be strengthened. Retail prices are being collected by State Governments, by the Ministry of Labour & Employment for the working class consumer price index, by the Ministry of Food & Agriculture for a number of agricultural commodities, and by the National Sample Survey. It is essential that the available information on retail prices should be brought together, gaps identified and the significance of retail price trends and the spread between wholesale and retail prices assessed at regular intervals. In addition to strengthening the existing agencies, it has been decided to organise a strong intelligence section within the Central Statistical Organization. Data collected by different agencies will also be subjected to some degree of independent check at the instance of the Central Statistical Organization.

3. It has been decided to constitute a Committee on Price Stabilization within the Department of Economic Affairs, Ministry of Finance. The Committee will keep under review trends in prices, secure regular and systematic flow of information concerning ex-factory costs and wholesale and retail margin in respect of essential commodities, and arrange for special enquiries, wherever necessary. In the light of its studies, which will be undertaken on a continuing basis, the Committee will recommend action by Central Ministries and by States and will formulate proposals relating to essential commodities for consideration by the Planning Commission and approval by the Cabinet.

II. Food Policy

4. Basic consideration : Specific action for implementng Government's food policy has to be based on the following principal considerations :—

(a) Arrangements for providing food to the mass of the people must be on a permanent and continuing basis. Food administration should be so organised that the economy is capable of withstanding a fall in production of at least 5 per cent compared to the preceding year. Effective use of the surpluses of the favourable years to meet the situation in as unfavourable season is essential.

(b) Relative prices of different agricultural commodities, including foodgrains and cash crops, should accord with the planned targets of production. In the past, it has not been possible, in adequate degree, to maintain stable price relationships over a period, as between commodities, as between regions, and as between seasons during the year.

(c) Wholesale trade in food must be effectively regulated. The chief methods available are the maintenance of adequate Government stocks and market operations to ensure stability in prices, restriction of margins of wholesalers and retailers to reasonable levels, inspection of and general control over the use of traders' stocks, maintenance of a large network of fair price shops and cooperative and other consumer stores, and trading operations by Government to the extent necessary. Regulation of primary markets is also essential.

5. Food storage.—The Third Plan provides for the building up of a total food reserve of 5 million tons, comprising 4 million tons of wheat and one million tons of rice. The total storage at present available with the Central Government amounts to 3.2 million tons, which includes 1.8 million tons of hired accommodation. State Governments have a storage capacity of 300,000 tons. The construction programme for food storage under the Third Plan provides for additional capacity of three million tons. It has been decided that this should be achieved, as far as possible, by the end of 1964-65. In this connection, it is also proposed that, besides large godowns, a number of small storage units should be located at suitable places in different parts of the country.

6. Millets.—Largely on account of the decline in the production of jowar in 1961-62 by about 17 per cent compared with the previous year, jowar prices have been at particularly high levels. It has, therefore, been arranged that the Ministry of Food & Agriculture should make available for consumption in millet-consuming areas substantial quantities of wheat at a concessional price. The precise subsidy required would be worked out by the Ministry of Food & Agriculture in consultation with the State Governments concerned subject, however, to a maximum of Re. 1 per maund.

7. Wheat.—It is proposed to release wheat from stocks, specially in those States in which a

shortfall in the production of millets occurred last year and in which food prices have been high this year. These include, in particular, Bihar, Madhya Pradesh, Maharashtra, Gujarat and West Bengal. Releases from stocks will continue to be made to State Governments, flour mills and fair price shops. To enhance the effectiveness of these releases it is proposed that:

(i) Inter-State movement of wheat by rail and road should be regulated and every effort should be made to reduce cross movement by rail.

(ii) No roller flour mills which are supplied from stocks should buy in the open market, except under permission and within the limits approved.

(iii) The working of fair price shops should be tightened up in a number of directions. Distribution to fair price shops should be directed towards meeting the needs of specific sections of the community. Suitable card systems would be desirable. There should be more administrative vigilance, including inspection and supervision over stocks, returns and operations.

(iv) Advances against foodgrains by scheduled banks should be suitably controlled, close liaison for this purpose being maintained between the Food Department, the Department of Economic Affairs and the Reserve Bank of India.

8. Rice.—Rice presents certain special problems in relation to food policy and administration:

(i) Imports of rice are possible only on a limited scale. Provision of adequate quantities of rice to deficit areas has to be based mainly on internal production.

(ii) The extent of the commitments which the Central Government should undertake is an important issue.

(iii) Wholesale traders are licensed by State Governments under powers conferred by the Essential Commodities Act, but administrative control and supervision and enforcement of licensing conditions need to be considerably strengthened. This is specially important in the case of rice.

(iv) There are some 39,000 rice mills in different parts of the country. Although hand-pounding is significant in a number of States, rice mills are an extremely important means of regulation of rice supplies.

(v) The fact that the distribution of rice is almost entirely in the hands of private trade leads to considerable variations in marketing margins of wholesale and retail dealers. Over the past year or so, conditions in the rice trade seem to have reduced the relative share of the price paid by the consumer which accrues to the producer.

9. Rice Imports.—About the middle of September, 1962, the Central Government held a stock of 6 lakh tons of rice and the States of 2 lakh tons. By December, 1962, the Central Government stocks are expected to be about 5 lakh tons. By June 1963 about 1.5 lakh tons of rice may be available from USA under PL 480 and upto three lakh tons under normal marketing arrangements. The Minister of Food & Agriculture is endeavouring to obtain larger imports under PL 480.

10. Purchase policy for 1962-63.—The Ministry of Food and Agriculture propose to make purchases from the coming harvest. While no rigid target is being fixed, in arranging for procurement the Ministry of Food and Agriculture have in view a figure of about 1.5 million tons.

11. Licensing of wholesale traders.—The system of licensing wholesale traders should be strengthened. It is proposed that there should be uniform conditions for licensing throughout the country. Thus, for the purpose of licensing a "wholesale trader" may be defined as-

(a) a dealer engaged in the business of purchase of or sale of foodgrains in quantity of 10 maunds or more at a time; or

(b) a dealer who stores for sale 100 maunds or more of foodgrains at any time; or

(c) the owner or manager of a mill or other power-driven processing unit dealing in foodgrains.

The conditions of licence should be enforced strictly and there should be proper inspection of and supervision over the operations of the licensees, including checking of accounts and use of stocks. One of the main conditions of the licence should be to give authority to Government to impose a levy, that is, to obtain such proportion of the quantity purchased as may be deemed necessary in public interest. As a general guide, in surplus States, the proportion or levy should be 50% or more. In deficit States, the appropriate methods of procurement and other details would be worked out by the Ministry of Food & Agriculture in consultation with the State Governments concerned.

12. Maximum controlled prices.—The Central Government will fix the maximum controlled prices for procurement of rice and paddy during the coming season. In relation to the maximum controlled prices for procurement on the Central Government's account, State Governments may announce purchase prices at which they will be prepared to buy from farmers directly. These purchase prices will have the effect of assuring the farmer of the necessary support and, at the same time, they will enable State Governments to obtain larger stocks. To the extent necessary, assistance by way of financial accommodation for purchase operations to State Government will be made available by the Central Government.

13. Zones.-For the coming harvest, the existing zonal arrangements are to be continued.

14. Rice milling industry.-For ensuring price stability and for strengthening the rural economy, it is desirable that a steadily increasing proportion of rice milling capacity should be owned by the community, through cooperatives and otherwise. It is proposed that State Governments should draw up their schemes for this purpose.

III. Cotton Textiles

15. The following are the principal proposals for maintaining prices of cotton textiles at reasonable levels :-

(1) A scheme for supervised marketing of cotton has been introduced by the Textile Commissioner. Cotton can be purchased by mills only through approved supervisors who survey the cotton and determine appropriate prices. No mill is permitted to maintain stocks in excess of three month’s requirements.

(2) It is envisaged that larger supplies of cloth in the lower ranges and of the more popular varieties will be made available to the market. The medium category, now classified into lower medium and higher medium, is to be divided into three parts—lower medium

(15 to 20 counts), middle medium (21 to 28 counts) and higher medium (29 to 34 counts). Production in the coarse and lower and middle medium range is proposed to be augmented to the extent of 5 to 6 per cent of the total output of the textile industry, that is, by about 250 to 300 million yards. A notification to this effect is to be issued by the Textile Commissioner.

(3) Wholesale trade in cloth is to be regulated. The Indian Cotton Mills Federation, through its Regional Associations, is to be asked to recommend 'nominees' for wholesale distribution, the 'nominees' being appointed with the approval of the Textile Commissioner. The 'nominees' will hold stocks of common varieties of cloth and arrange for distribution according to the Textile Commissioner's instructions. Mills whose cloth is in popular demand are to be asked to open retail shops on a more extensive scale and bring considerably larger numbers of retail dealers on to their approved lists.

(4) Prices to be stamped on cloth will be specifically approved by the Textile Commissioner, who would also indicate selling margins at the wholesale and retail levels. Sales at prices higher than those stamped will be an offence under the law.

(5) To ensure supplies to consumer stores, fair price shops, etc. a prescribed proportion of the output of textile mills is to be distributed under the specific instructions of the Textile Commissioner. This proportion may ordinarily be upto 10 per cent but, if necessary, it may be raised.

(6) It is proposed that the Textile Commissioner should take powers to impose restrictions on stocks held by mills and on movement of cloth, both by rail and road, as may be necessary, in the public interest.

(7) Handloom Industry

(a) Statistical and other information relating to the decentralised sector of the handloom industry is to be organised more fully as a matter of high priority.

(b) It will be necessary to place increasing reliance on handlooms for meeting the general needs of the community. States should extend the cooperative sector in the handloom industry on an emergency basis and as many handlooms as possible should be brought into cooperatives.

(c) Sales of yarn to handlooms should be regulated and free market sales reduced to the very minimum. It is proposed that State Governments should make arrangements for undertaking distribution of yarn in an organised manner, both for cooperatives and for such handlooms as may still be outside the cooperative sector.

(d) It is proposed that State Governments should exercise greater direction and control over the handloom industry and should take steps to ensure that prices are maintained at reasonable levels.

IV. Drugs and Medicines

16. (1) It is proposed that for essential drugs and common household remedies retail prices should be approved by Government. Tentative lists of these items have been drawn up. A specially constituted committee of the Development Council for Drugs and Pharmaceuticals will recommend prices for approval by Government. The prices will be notified under the law and sale above the prescribed prices will be an offence, the only additional element being the sales tax.

(2) It is proposed that the Ministry of Commerce & Industry should appoint a Controller of Prices and Supplies for drugs and pharmaceutical products. This officer would enforce measures relating to price control, licence and regulate wholesale traders, prescribe reasonable selling margins, arrange for examination of costs of manufacturers, inspection of books, etc. He would also ensure that supplies of essential drugs are available for hospitals and other Government establishments, where necessary, directly from manufacturers, and that adequate supplies of common household remedies are distributed through cooperatives and other consumer stores, etc.

(3) A scheme is to be worked out for obtaining from manufacturers a proportion of the production of essential drugs, without proprietory lables and according to specifications in the National Formulary of India, for supply to hospitals and dispensaries.

(4) It is proposed that except for actual users, imports of bulk drugs required in large quantities should be taken over by Government.

V. Schemes for Cooperative and Other Consumer Stores

17. (1) The building up of a large network of cooperative and other consumer stores is a matter of national importance, and is to be taken up as a Centrally sponsored programme. The resources required from Government for this programme will be fully provided for by the Centre.

(2) The Railways and Posts & Telegraphs have already a number of consumer stores. The Ministry of Home Affairs propose to set up consumer stores in Delhi and later in Calcutta, Madras and Bombay. Labour & Employment Ministry have drawn up a scheme for the organization of consumer cooperatives for industrial workers on the basis of proposals approved in August, 1962 by the Indian Labour Conference. A scheme for building up speedily a considerable network of consumer stores has now been drawn up by the Ministry of Community Development and Cooperation, Department of Cooperation. The scheme contemplates the setting up of 200 wholesales/central stores with about 4000 branch/ primary stores in metropolitan cities. State capitals, cities with a population of 100,000 or more, and in industrial townships and other centres. The scheme also envisages setting up of consumer stores by Departments and other Government agencies. Major projects and private undertakings would also be asked to establish consumer stores.

(3) Financial requirements for setting up consumer stores amount to about Rs. 10 crores over 5 years. An allotment upto Rs. 2 crores is being made immediately to the Department of Cooperation to proceed urgently with the execution of the programme.

(4) For cooperative and other consumer stores, special arrangements have to be made

for the provision of supplies. As part of these arrangements, intermediary charges will be eliminated to the greatest extent possible.

ITEM III. PEOPLE'S PARTICIPATION IN THE NATIONAL EFFORT

In the course of his broadcast to the Nation on October 22, 1962, the Prime Minister said—

"The price of freedom will have to be paid in full measure and no price is too great for the freedom of our people and of our motherland...........

We must steel our wills and direct the nation's energy and resources to this one end. We must change our procedures from slow moving methods of peace time to those that produce results quickly. We must build up our military strength by all means at our disposal.

But, military strength is not by itself enough. It has to be supported fully by the industry of the nation, and by increasing our production in every way that is necessary for us. I would appeal to all our workers not to indulge in strike or in any other way which comes in the way of increasing production. That production has to be not only in the factory, but in the field. No anti-national or anti-social activities can be tolerated when the nation is in peril.

I earnestly trust and I believe that all parties and groups in the country will unite in this great enterprise and put aside their controversies and arguments which have no place today, and present a solid united front before those who seek to endanger our freedom and integrity.

There are many other things that our people can do, and I hope to indicate some of them at a later stage. But the principal thing for us is to devote ourselves to forge the national will to freedom and to work hard to that end. There is no time-limit to this......"

2. Since these words were spoken, there has been a deep and moving response throughout the country. This places a great responsibility upon the leaders of the people at every level, political parties, voluntary organisations, universities and other educational institutions, and social workers generally, to help channel the energies and emotions of the people into positive and constructive directions. Chief Ministers of States and State Administrations are already fully engaged in this task, and everywhere much local initiative is being evinced.

3. Under the patronage of the President, a Citizens' Central Council is being formed at the national level. There will be similar Citizens' Councils in the States and Citizens' Committees at the local level. These are non-official bodies and are to be formed without distinction of party. The Citizens' Councils and Committees will be concerned with organisation, guidance and coordination of the people's participation in the national effort on all fronts. In particular, they will be concerned with—

(a) raising contributions towards the National Defence Fund and the National Defence Loans,

(b) encouraging the people to join the Home Guards and the National Volunteer Force,

(c) encouraging people in the rural areas to form Village Defence Parties,

(d) encouraging the people to join in all measures of Civil Defence undertaken by Government,

(e) keeping up the public morale and countering mischievous rumours,

(f) voluntary price control, anti-hoarding and anti-profiteering measures, and

(g) organising amenities for troops.

An important part of the work of Citizens' Committees will be to organize opportunities for women and for students and youth to make their fullest contribution to the national effort.

4. The role of voluntary organisations and of social workers cannot be too greatly stressed. A large number of voluntary organizations have already taken steps to mobilize their workers for the new tasks. As an illustration, reference may be made to the seven-point programme for National Defence adopted by the Bharat Sevak Samaj. This includes assistance to the families of Defence personnel, maintenance of morale and solidarity in the community, assistance in preventing rise in prices, mobilizing the savings of the community, providing a corps for construction activities in difficult areas for purposes of Defence, organizing a corps of volunteers for rendering service in emergencies, and collaborating with and assisting committees formed at different levels and with other voluntary organizations.

5. A vital part of the national effort consists in saving for the Defence of the country. To facilitate such savings, the Government of India have already announced the issue of the National Defence Bonds, 10-Year Defence Deposit Certificates, 12-Year National Defence Certificates and Premium Prize Bonds, 1963. The issue of the Gold Bonds has also been announced. The National Defence Fund Committee has been constituted under the chairmanship of the Prime Minister.

6. Where there is so much to be done, it does not seem necessary in this paper to list in detail the various tasks which need to be undertaken. The National Development Council may, however, wish to consider in particular how Citizens' Committees can be best enabled to fulfil their role and the means by which every citizen may be reached and helped to do his share.

7. For some time past, the Planning Commission has felt concerned at the inadequate progress made in the organization of community listening facilities in the villages. There are at present 78,000 community listening sets in the villages under a scheme of the Ministry of Information and Broadcasting which has functioned for some years. About 50,000 to 60,000 community listening sets appear to have been installed with the aid of funds given to Community Development Blocks through the Ministry of Community Development and Cooperation. It is doubtful, however, if out of 130,000 or more sets, more than 90,000 to 100,000 community listening sets are in actual use. The Planning Commission is working out a scheme for the installation of about 175,000 community listening sets in the villages, besides ensuring, through effective maintenance arrangements, the proper functioning of the sets already available. This would give in all about 300,000 listening sets in rural areas. The main question is one of arranging for a phased but speedy programme of production and for efficient maintenance arrangements with the help of the States. The details of the scheme are now being worked out by the Planning Commission in consultation with the Ministries of Information and Broadcasting, Commerce and Industry and Community Development and Cooperation, and in the near future States will be approached.

November 3, 1962.

SUMMARY RECORD

Inaugurating the deliberations of the National Development Council, the **Prime Minister** said that the meeting of the Council had been called as a very special occasion had demanded it. The Chinese invasion of India marked a turning point in India's history and the Council would appreciate the extraordinary character of what had happened, something that had changed or would change the whole national outlook. In order that this crisis should be faced adequately it was necessary to think and act in a big way and in solving the larger problem many of the smaller problems, conflicts, controversies etc. would be solved automatically. The crisis that faced the country would require a tremendous effort on the nation's part, and those who had been placed in a position of Governmental authority, whether at the Centre or at the States, had to shoulder very great responsibility. The response of the people of the country, invoked by the Chinese invasion, had been magnificent and heartening. This terrific shock had occasioned almost a rebirth of the Indian spirit.

2. Referring to the Plan, the Prime Minister said that the first priority and the first necessity was to do everything that helped to meet the present crisis and ultimately to push out the invader and the aggressor from the country. The basic objective of the Plan was to strengthen the nation and to increase industrial and agricultural production. The Plan should be looked at, therefore, as an essential part of the national effort, although it would need to be examined so that those things that were not so essential immediately or in the immediate future might be somewhat slowed down. The programmes for industrial production that were essential must increase. Technical training needed to be strengthened. It was not necessary to spend too much on big buildings and constructions. Double shifts or three shifts could be started in schools, but the pace of educational process could not be slowed down. The Prime Minister went on to say that on Power depended the growth of agriculture and industry and as such the existing programmes for the development of power—electric, thermal or atomic—could not be interfered with: they might even have to be enlarged. But the non-essentials, not only in the Plan but generally in other activities, had to be cut down.

3. The Prime Minister emphasised the need for maintaining the price line. He observed that although there had been tendencies for the price to rise, by and large prices had not risen appreciably. This was a very important matter because it affected not only the people but the whole economic structure. On the one hand, as it would be necessary to concentrate on production of certain goods, the production of several other goods would have to be restricted to some extent. On the other, because of the increasing purchasing power of the people, there would be an increased demand for such goods. The problem thus created would necessitate organisation of civil supplies etc. so that there should not be lack of essential goods needed by the large mass of the people and abundance elsewhere.

4. The Prime Minister then referred to the cooperative movement which had advanced quite considerably in the last few years. From the point of view of the present emergency this movement had assumed a special importance apart from its general importance and as such had to be pushed up. Cooperative stores and the cooperative movement generally were important in the present situation when prices had to be stabilised.

5. The Prime Minister drew special attention to the need in the agricultural sector for encouraging the production of short-term crops and vegetables and other things like eggs which were required for troops and others. He suggested that the Agriculture Ministry should consider

utilising the next three months for the production of short-term crops, specially in Northern India. To encourage this, a little subsidy might be given if necessary.

6. The Prime Minister informed this Council about the formation of the National Defence Fund Committee. In regard to collections in the States, the State Bank was accepting donations and contributions everywhere. An Emergency Committee of the Cabinet had been formed and various other adjustments were being made in the Central Government to speed up work. A National Defence Council was also proposed to be formed. This would consist of the members of the Emergency Committee of the Cabinet, the present Chiefs of Staff, certain retired Generals and retired senior people from the other Services and some prominent public-men. In order that the Council should be representative, the Prime Minister asked for the advice of the Chief Ministers regarding the representation of States on this Council. He also referred to the appeals made by the Finance Minister and others for contributions and added that these appeals had evoked a magnificent response.

At various places, chiefly in cities like Bombay and other cities, Citizens' Committees had been formed. These Committees would be entirely non-official. The President had agreed to be the Patron of the Citizens' Committee but not in any executive capacity. The Citizens' Committee could generally help in keeping up morale, in ensuring that prices did not shoot up, in not allowing wrong kinds of rumours to spread and in the savings campaigns and other activities. The Prime Minister deprecated unseemly demonstrations by various groups who could, in his view, apply their energies to better and more constructive use. It would be the Citizens' Committee's job to control the situation in a friendly way and generally to help in the maintenance of peace and order because the disciplined effort required of the nation today depended on the maintenance of peace and order in the country.

7. Following the Prime Minister's speech the National Development Council began discussion on the Planning Commission's proposals for reorienting development in the States in view of the emergency. The note circulated for discussion by the Planning Commission indicated that certain priorities in the Plan would have to be rearranged and adapted to meet the present requirements, in several directions the Plan would need to be strengthened and in all fields implementation would have to become much more efficient. Economic mobilisation in the present emergency had to be necessarily a totality of enthusiastic effort in which all available resources, whether in money or manpower or materials or existing capacity, had to be put to the maximum use in relation to the objectives to be gained. The States should adjust their plans to promote the necessary flexibility. The Planning Commission proposed immediate simplification of the present procedures for the grant of Central assistance.

8. The Union Minister of Finance, **Shri Morarji Desai** said that the size and substance of the Third Plan had been fixed after very careful discussion and deliberation and efforts were being made to mobilise both domestic and external resources for implementing the Plan. Certain stresses and strains had developed and while these were being faced, the new emergency which had arisen had added to the responsibilities. The defence requirements had to be met at all costs but it should not be at the cost of the Plan as any disruption of the Plan would be playing into the hands of the Chinese. As such, whatever effort was necessary would be made to mobilise all the resources. So far as external resources were concerned, good help was being given for the defence purposes and for the purposes of the Plan. But the rupee resources had to be met in every way possible. The Plan would require some reorientation or adjustment, but on the whole there was no idea of decreasing in any way the Central assistance to the States planned during the

current year. During 1963-64 also, the suggestion made by the Planning Commission was for reducing the Central assistance from Rs. 450 crores to Rs. 400 crores. This could be achieved by effecting economy and reducing non-Plan and other unnecessary expenditure. Various other efforts had to be made in mobilising the resources. The Finance Minister further explained the various schemes for defence loans and savings which had been introduced and assured the States that while market borrowings would be made only by the Central Government next year, the States would receive a reasonable share of the loans raised. He also stressed the need for intensive efforts for raising additional resources both by the Centre and the States. He particularly emphasised the need for keeping up and utilising the spirit and the enthusiasm of the people which had already risen as a result of the crisis. This would give much better and permanent results. He also indicated that the contributions made by the people to the National Defence Fund would be exempted from the income-tax.

9. The Union Minister of Planning, **Shri G. L. Nanda** informed the Chief Ministers what the size of Central assistance to the States would be for 1963-64. He said that the productive apparatus would have to be strengthened and availabilities increased. Projects which were well advanced had to be completed as speedily as possible. Technical training schemes would have to be expanded. He also commended to the Council the proposal to raise the Third Plan targets for minor irrigation from 12.8 million acres to about 19 million acres (50 per cent increase), the target for soil conservation from 11 million acres to over 16 million acres and that for dry farming from 22 million to about 50 million acres.

10. The Chief Minister of Bihar, **Shri B. N. Jha** was of the view that in order to meet the emergent requirements, the Plan would have to be pruned and measures for austerity practised not only by people but also in Government departments.

11. The Chief Minister of Uttar Pradesh, **Shri C. B. Gupta** pointed out that certain States like the U.P. were not able to raise financial resources to the extent that had been contemplated at the time of drawing up the Plan. He enquired whether, if it was not intended to reduce the Plan, such States would be helped with full Central assistance.

The Union Minister of Finance stated that the Centre would try to give its own share of financial assistance and the pattern of Central assistance would be made flexible so that States were helped to the extent possible. The main purpose was that the backward States should be able to compete with other States and during the Third Plan they should reach the standard attained by other States.

12. The Chief Minister of Punjab, **Sardar Partap Singh Kairon** said that the present emergency justified cutting down some of the less important schemes and the States should reorientate their budgets and adjust their Plans according to their needs keeping in view the defence requirements. He thought that it was necessary to effect a cut in the Plan allocation and divert the funds for defence purposes, as the very existence of the nation was at stake. This would make the people feel that Government was really serious in meeting the war emergency. The States should, he suggested, be left free to decide the priorities in allocating expenditure.

13. In the course of the discussion that followed, Chief Ministers offered suggestions for mobilising the defence efforts and indicated directions in which larger resources could be raised. The Chief Minister of Rajasthan, **Shri Mohan Lal Sukhadia** suggested that instead of having a number of schemes, like the National Small Savings Schemes, Savings Scheme for Defence, Defence Bonds and Certificates, Defence Gold Bonds, all running simultaneously, it would be

better if there were only one or two alternatives before the public as otherwise it would create complications. He also suggested that to avoid leakages in the sales-tax levied by the States, it would be desirable in the present emergency to replace it by the Central excise duty instead. He referred to the large expenditure incurred on staff, particularly in departments like Cooperation and Community Development, and thought that this could be reduced. As an illustration, he said, the Reserve Bank of India required appointment of an Inspector for a certain number of cooperatives and an Assistant Registrar for a given number. In his opinion, it should be left to the State Governments to decide whether they could manage with a smaller number of officers and thereby cut down expenditure. Similarly, there was a general impression among the Panchayats and Panchayat Samitis that Government was spending too much on staff in Community Development Blocks and that a good amount could be saved and diverted to other production programmes. Referring to the role of Village Level Workers, he suggested that they should be given training in intensive agriculture, animal husbandry and cooperation, so that the VLW should have a definite and useful role, without which since decentralisation he was proving more or less useless in the village. Referring to the suggestion made in the Planning Commission paper regarding the setting up of Planning Boards in the States, he thought that this was not necessary at the present juncture and that the present system in Rajasthan was working satisfactorily.

14. Suggestions were also made that the Central Government should give early indication of the nature and extent of the production effort required from small industries in States. The Chief Minister of Orissa, **Shri B. N. Patnaik** referred to the voluntary mobilisation which was taking place in the country and suggested that this should be canalised in a positive way. He suggested setting up of a body like a War Production Board, which would take over the entire capacity in the country and utilise the full capacity for the purpose of war. This would require very detailed examination and detailed thinking at the Central level.

15. The Chief Minister of Madhya Pradesh, **Shri B. A. Mandloi** said that on account of the National emergency it would become necessary to impart military training to University students, to strengthen the police force, to raise home guards and to take other security measures. No provision had been made for these items of expenditure and at the same time it was not desirable at the present juncture to push through controversial taxation legislation for raising financial resources.

16. The Chief Minister of Maharashtra, **Shri Y. B. Chavan** said that at the present stage it was extremely difficult to make any concrete assessment of what the defence requirements and the defence expenditure were likely to be. He appreciated the view taken by the Planning Minister that the Plan should not be arbitrarily cut because continuing the Plan itself was a war effort. The Planning Commission's note on reorientation of development plans was some sort of a sum total of such principles as could be thought of at this stage and the States should try to carry on with their plans with minimum cuts. In the light of the situation that may develop, necessary adjustments could be made. He stressed the importance of agricultural and industrial production and pointed out that emphasis on education had become even more important in the context of the emergency.

The Prime Minister agreed with the views expressed by the Chief Minister of Maharashtra. He added that when the country was likely to spend large sums of money on the war front, it would be wise to think of producing a feeling of content among large masses of people. Although taxation had to be increased, Governments should proceed, as far as possible, in a non-controversial manner and in a manner so as not to place burdens on the poorest.

17. The Prime Minister of Jammu & Kashmir, **Bakshi Ghulam Mohammad** said that the country

had to fight not only on the war front but also on the economic front and to fulfil the Plan. In order to find money for the large defence requirements, he suggested a saving of 10 per cent in the Plan which could be effected by going somewhat slow on certain long-term projects and making economies in other directions. The emergency which had arisen required the whole country— the Centre and the States—to work with a singleness of purpose.

18. The Finance Minister of Madras, **Shri M. Bhaktavatsalam** suggested intensification of the small savings programme and payment of a part of the bonus to industrial workers in the form of Defence Bonds. For holding the price line, which was very important, he suggested opening of more fair price shops and running of a large number of consumer's cooperative stores. He was of the view that procurement should be done at the market rate and not at control rate. Coming to agriculture, he supported the idea of encouraging short-term crops, like potatoes, which could be very useful for the army and for ensuring good yields, facilities like pesticide should be made available to the growers.

19. The Union Minister of Food and Agriculture, **Shri S. K. Patil** observed with regret that top priority was not given to agriculture in the States. He gave an assurance to the Chief Ministers that funds would be provided to the extent required for implementing the physical programmes which the States could undertake for minor irrigation and soil conservation. For encouraging short-term crops, like potatoes, subsidies and pesticides should be provided. Where there was a possibility of having a second or a third crop the possibility should be fully exploited and he assured all possible assistance on a top priority basis.

20. **Shri Shriman Narayan**, Member, Planning Commission referred to the need for very close coordination at the State level for implementing agricultural programmes. He suggested setting up of a Committee in the State, headed by the Agriculture Minister or the Chief Minister, which would meet from month to month, review the working of the programme and see that the various departments were properly coordinated. Apart from the financial provision which would be readily forthcoming this aspect of administrative coordination was very important and needed to be very carefully looked into.

21. **Shri C. M. Trivedi**, Member, Planning Commission suggested that a massive effort for excavating field channels was required so that the irrigation potential which was immediately available could be utilised fully.

22. Referring to the suggestion made by the Chief Minister of Rajasthan that there should not be too many small savings schemes, the Union Minister of Finance explained that no new small Savings Certificates Scheme had been introduced. There were already five avenues for small savings—(1) National Plan Savings Certificates, (2) Treasury Savings Deposit Certificates, (3) Post Office Deposits, (4) Annuity Certificates and (5) Cumulative Time Deposit Schemes. Out of these, the first two had been renamed as Defence Deposit Certificates and Treasury Certificates. There was, therefore, no change except that the rate of interest had been increased in both by half a per cent. These five cater to different needs of the small saver. What had been added were only two Bonds—the National Defence Bonds and the Gold Bonds. The Gold Bond did not interfere with the other small savings schemes. And the National Defence 'Bond ensures much larger number of Bonds being taken by many people and this had no relation to small savings. There was no conflict between these schemes and there was need for concentration of attention on each one of these schemes. The Union Finance Minister requested the Chief Ministers to take personal interest in the Gold Bonds Scheme and see that these Bonds were subscribed more and more in areas where they knew they could be subscribed.

23. The Union Minister of International Trade, **Shri Manubhai Shah** was of the view that as the emergency was going to last for some time the provision in the Plan for the next year should be saved to the extent of 10 or 20 per cent without affecting the target of production by an increase in efficiency. Money thus saved should be diverted to defence expenditure, because after all there was no new resource in sight and the demand for defence expenditure was going to be heavy. He also suggested that civil defence expenditure should become part of the Central liability because in the new situation the Centre was going to raise funds from various sources like the National Defence Fund, Defence Bonds etc.

24. The Union Minister of Community Development, Panchayati Raj and Cooperation, **Shri S. K. Dey** proposed that Village Level Workers should now devote their attention primarily to agricultural programmes and rural water supply. He added however that while agricultural production should receive priority, some emphasis should be laid on the rural industries sector. Similarly, in the field of public health and primary and secondary education it would not be wise to cut down the provision for these programmes. He thought that it should be possible to organise in the rural sector a labour bank to which every citizen should contribute. Based on the experience of Orissa, which had introduced 15 days labour tax on all able-bodied citizens through State legislation, further data could be provided to organise the manpower in the villages. In this way the enthusiasm of the country can be canalised.

25. The Chief Minister of Assam, **Shri B. P. Chaliha** gave an account of the situation in Assam and the special problems of the State which required assistance of the Government of India.

26. The Council emphasised that planning, which had been the major instrument in the economic and social reconstruction of the country, must play even a larger role in the new situation in directing resources more efficiently and purposively. The Third Plan had been conceived as part of a long-range strategy of sustained economic and social development of the country. While certain less essential items would have to be curtailed and some other adapted to meet the new requirements, its stress on agricultural production, on building basic industries of metals and machine building, power and fuel, chemical fertilisers, of expanding transport facilities and greatly increasing facilities for general and technical education and scientific research must be maintained; indeed, the effort in several of these directions would need to be still greater. Only by strengthening agriculture and rapidly building up a strong industrial base capable of ensuring quick capital accumulation could the country hope to strengthen its economy and its capacity to conduct military operations successfully in modern times. While therefore it was necessary to concentrate on the supreme and urgent task of national defence, the continuity of economic and social development must be ensured and a consistent long-term strategy of economic development must be pursued and strengthened.

Effort on this expanded scale would call for all-round efficiency and elimination of waste and delay. The Central and State Governments should spend less and effect economies and this could be done by reducing expenditure on entertainment, on the construction of big buildings and on staff. Industrial peace must be ensured and there should be no occasion for strikes and lock-outs. All equipment and plant must be used to their fullest capacity.

The unexpected additional burdens which would have to be shouldered would call for a sharp reduction of luxuries and non-essential consumption. A system of priorities would need to be worked out in respect of the short-term projects which would not only meet the demand for essential goods but serve also as ancillary to basic industrial development.

In view of the additional purchasing power in the hands of the people it would be necessary to intensify the drive for voluntary savings and a higher level of direct and indirect taxation might be required. The Council hoped that in this national emergency all classes of people would cheerfully share in the effort and sacrifice that the situation demanded.

27. The National Development Council approved the proposals circulated by the Planning Commission regarding measures for maintaining prices of essential commodities.

28. At its resumed sitting on November 5, 1962 the National Development Council approved, of the following Declaration:

"Fifteen years ago we won our freedom. Today that freedom is being threatened. The Chinese invasion is a turning point in the history of our motherland. The National Development Council, meeting at this hour of grave crisis, declares the determined will of the nation, transcending all differences, to stand solidly united behind the leader. The National Development Council hereby pledges the nation to every effort and sacrifice to effect the vacation of the Chinese aggression.

Free India has always pursued a policy of peace and friendship with the peoples of the world. Towards China, India acted as a true friend. When border disputes were raised by China, India was ever willing to get them resolved by peaceful and friendly negotiations. In spite of this, China has chosen the path of violence and aggression and has invaded the territories of India. The Chinese aggression is not merely a violation of the country's territorial frontiers but an attack on our freedom, our democratic values, and our national philosophy of international peace and progress. It is a breach of all recognised standards of international behaviour. We realise that today we are facing a strong ruthless and unscrupulous aggressor. A supreme effort is called for by the people to meet this challenge.

In the face of this danger, the response of the people all over the country has been magnificent. The soul of the nation has been stirred into a new awakening. In this crisis what is needed is discipline and sustained effort by the people. The energies of the people will have to be properly canalised. Millions of our willing youths must be trained for national defence. The country's entire resources will have to be mobilised and the national efforts directed towards this supreme end.

Our men and officers in the battle field, in spite of the difficulties of the terrain, have shown epic heroism in facing the superior numbers of the aggressor. Our soldiers at the front will have to be backed by the productive efforts of the people in the field and factories. The National Development Council, therefore, considers the country's plans of development as an integral part of the national defence. In this context, the successful and speedy implementation of the Plan, with the necessary reorientation to meet this emergency, becomes all the more imperative. Resources for this can come only through savings and savings would necessarily mean sacrifices in the present for the sake of the future. The Government, at the Centre and in the States, will have to take adequate and effective steps to foster the proper atmosphere for greater savings in the community and utilise those savings towards the national effort, with economy and efficiency.

The Council takes note of the present situation regarding supplies of food and essential commodities for civilian consumption, and affirms its determination to prevent hoarding and profiteering and to check any undue rise in prices of essential commodities. Cooperative channels of distribution will be developed. Vigilance Committees everywhere will stand watch.

The Chief Ministers assembled here pledge the entire resources, in men, money and materials of their respective States, to the making of a supreme effort to maintain inviolate the integrity of the country.

We are fighting for our freedom and our honour, to save the democratic way of life adopted in our Constitution. With faith in the justness of our cause, we dedicate ourselves to protect our motherland."

PARTICIPANTS

PLANNING COMMISSION

Shri Jawaharlal Nehru	.. .. ..	Chairman
Shri Gulzarilal Nanda	.. .. ..	Deputy Chairman
Shri Morarji R. Desai	.. .. ..	Member (Finance)
Shri T.T. Krishnamachari	.. .. ..	Minister Without Portfolio
Shri V.K. Krishna Menon	.. .. ..	Member (IT & D)
Shri C.M. Trivedi	.. .. ..	Member (NR)
Shri Shriman Narayan	.. .. ..	Member (Agriculture)
Shri T.N. Singh	.. .. ..	Member (Industry)
Prof. P.C. Mahalanobis	.. .. ..	Member (PP)
Prof. M.S. Thacker	.. .. ..	Member (Education)
Shri Tarlok Singh	.. .. ..	Member (A & T)
Shri C.R. Pattabhi Raman	.. .. ..	Dy. Minister of Labour & Employment and Planning.

STATES

Andhra Pradesh	.. .. ..	Shri N. Sanjeeva Reddy, Chief Minister.
Assam	.. .. ..	Shri B.P. Chaliha, Chief Minister.
Bihar	.. .. ..	Shri B.N. Jha, Chief Minister.
Gujarat	.. .. ..	Dr. Jivraj N. Mehta, Chief Minister.
Jammu & Kashmir	.. .. ..	Bakshi Ghulam Mohammad, Prime Minister.
Kerala	.. .. ..	Shri R. Sankar, Chief Minister.
Madhya Pradesh	.. .. ..	Shri B.A. Mandloi, Chief Minister.

		Shri Takhtmal Jain, Planning Minister.
Madras	.. .. ..	Shri K. Kamaraj, Chief Minister.
		Shri M. Bhaktavatsalam, Finance Minister.
Maharashtra	.. .. ..	Shri Y.B. Chavan, Chief Minister.
		Shri S.G. Barve, Finance Minister.
Mysore	.. .. ..	Shri S. Nijalingappa, Chief Minister.
Orissa	.. .. ..	Shri B.N. Patnaik, Chief Minister.
Punjab	.. .. ..	Sardar Partap Singh Kairon, Chief Minister.
Rajasthan	.. .. ..	Shri Mohan Lal Sukhadia, Chief Minister.
Uttar Pradesh	.. .. ..	Shri C.B. Gupta, Chief Minister.
West Bengal	.. .. ..	Shri P.C. Sen, Chief Minister.
		Shri T.K. Ghosh, Industries Minister.

UNION MINISTERS

Shri Jagjivan Ram	.. .. ..	Minister of Transport & Communications.
Shri Lal Bahadur Shastri	.. .. ..	Minister of Home Affairs.
Sardar Swaran Singh	.. .. ..	Minister of Railways.
Shri K.C. Reddy	.. .. ..	Minister of Commerce & Industry.
Shri S.K. Patil	.. .. ..	Minister of Food & Agriculture.
Hafiz Mohd. Ibrahim	.. .. ..	Minister of Irrigation & Power.

Shri A.K. Sen	.. .. ..	Minister of Law.
Shri K.D. Malaviya	.. .. ..	Minister of Mines & Fuel.
Shri C. Subramaniam	.. .. ..	Minister of Steel & Heavy Industries.
Dr. K.L. Shrimali	.. .. ..	Minister of Education.
Shri Humayun Kabir	.. .. ..	Minister of Scientific Research & Cultural Affairs.
Shri Satya Narayan Sinha	.. .. ..	Minister of Parliamentary Affairs.
Shri Mehar Chand Khanna	.. .. ..	Minister of Works, Housing & Supply.
Shri Manubhai Shah	.. .. ..	Minister of International Trade.
Shri Raj Bahadur	.. .. ..	Minister of Shipping.
Shri S.K. Dey	.. .. ..	Minister of Community Development, Panchayati Raj & Co-operation.
Dr. Sushila Nayar	.. .. ..	Minister of Health.
Dr. Ram Subhag Singh	.. .. ..	Minister of Agriculture.
Shri B.R. Bhagat	.. .. ..	Dy. Minister of Finance.

SPECIAL INVITEE

Shri P.C. Bhattacharayya	.. .. ..	Governor, Reserve Bank of India.

TWENTIETH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : NOVEMBER 8 AND 9, 1963

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTIETH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

ITEM I. THE THIRD PLAN : MID-TERM APPRAISAL*

ITEM II. PROGRESS OF LAND REFORM

Since the National Development Council last reviewed the progress of land reform six years ago, considerable legislation has been enacted in the States. The present position is described briefly in the section on 'Land Reform' in the report on the Mid-term Appraisal of the Third Plan (Annexure). In several respects, however, there have been deficiencies in implementation, in consequence of which programmes of land reform have been less effective than had been hoped for. The principal lacunae which are observed are as follows :

(1) In some States the existing provisions for security of tenure are of a temporary nature and comprehensive measures have not yet been taken. Generally, such temporary provisions are not effective in practice. Delays in enacting comprehensive legislation create a great deal of uncertainty which is inimical to efforts to increase agricultural production.

(2) The right to resume land for personal cultivation for which legislation provides has tended to create uncertainty and to diminish the protection actually afforded to tenants. In the Third Plan it was recommended that except for owners holding land equivalent to a family holding or less, in view of the period that has already elapsed, there should be no further right of resumption.

(3) Steps recommended in the Third Plan for removing legal and administrative deficiencies relating to the registration of voluntary surrenders and resumption of land arising from them have not been taken.

(4) It was expected that in the course of the Third Plan steps would be taken to complete the programme for conferring rights of ownership on tenants of non-resumable lands. Several States have not made the necessary legislative provisions; in some States, where provisions for conferring ownership rights exist, practical action has not followed to any great extent.

(5) In most States rents are payable generally as a share of the crop. Share produce rents are difficult to enforce. Commutation of rents in kind into cash rents is essential for facilitating enforcement of legislation.

(6) In several States, where legislation for imposing ceilings on land holdings exists, in practice, it is being defeated through inadequate measures for preventing transfers of land.

*The paper on Item-I of the Agenda 'The Third Plan : Mid-term Appraisal' has been published separately.

(7) As many leases are made orally, in general the tenants find it well-nigh impossible to prove their title through documents. The preparation of correct and up-to-date records of tenancies is of crucial importance to the implementation of land reform legislation.

2. The defects pointed out above have important implications both for the success of land reform and for the development of agriculture. A number of surveys of land reform undertaken in different parts of the country through the Research Programmes Committee of the Planning Commission as well as observation by independent persons have brought out the need for special steps to ensure implementation in the States as well as for machinery at the highest level for periodical review of the programmes of land reform. One feasible step may be for the National Development Council to set up a Committee including Chief Ministers of States (or, perhaps, Ministers in charge of Land Reform) to consider at regular intervals the progress of land reform in different States and to suggest measures for strengthening and improving implementation.

ANNEXURE

THE THIRD PLAN : MID-TERM APPRAISAL

Chapter VIII—Agriculture and the Rural Economy Section on Land Reform

LAND REFORM

The main aspects of land reform are the abolition of intermediaries, tenancy reform, ceiling on land holdings and consolidation of holdings.

Abolition of Intermediaries

2. The programme for the abolition of intermediaries has been mostly completed. Considerable progress has also been made in the payment of compensation to the ex-intermediaries. The total amount of compensation is estimated at about Rs. 641 crores (compensation Rs. 421 crores, rehabilitation assistance 92 crores and interest 128 crores). About Rs, 230 crores have been paid so far, Rs. 130 crores in bonds and 100 crores in cash. It is hoped that the compensatory bonds for the remaining amount will be issued by the end of the third plan period.

Tenancy Reform

3. Comprehensive legislation for tenancy reforms has been enacted in several States. In some States the existing provisions for security of tenure are of temporary nature and comprehensive measures have not yet been enacted or enforced, although ejectment of tenants has been stayed temporarily. In Andhra area, an interim legislation provides for stay of ejectments. In Telengana area to which the Hyderabad Tenancy and Agricultural Lands Act applies, some of the principal provisions have not been enforced pending enactment of tenancy legislation for the entire State of Andhra Pradesh. In Bihar, tenancies are still generally regulated under the Tenancy Act of 1885 with some modifications. In Madras, the present legislation is of a temporary nature and comprehensive proposals for tenancy legislation are still under the consideration of the State Government. In Mysore, the Land Reform Act was enacted in 1960 but its implementation was stayed pending its amendment to incorporate the recommendations of the Government of India. The Amendment Act has yet to be promoted. In Orissa also, the Land Reform Act, 1960 has not yet been enforced due to pending amendments. Delays in enacting comprehensive legislation create a great deal of uncertainty which is inimical to efforts to increase agricultural production.

Security of Tenure

4. Effectiveness of the provisions of security of tenure centres on the issue of resumption and

the safeguards included in the legislation to prevent voluntary surrenders which have taken place on a considerable scale in several States. The right to resume land for personal cultivation for which a provision still obtains in several States, has tended to create uncertainty and to diminish the protection afforded to tenants. It had been recommended in the Third Plan that in view of the period that has already elapsed, there should be no further right of resumption except for owners holding land equivalent to a family holding or less. With regard to surrenders, as stated in the Plan, most voluntary surrenders of tenancies are open to doubt as *bona fide* transactions and this has been confirmed by such enquiries and investigations as have been undertaken. Recommendations have been made in the Third Plan to meet the problem of surrenders. Only in Bihar, Madhya Pradesh, Mysore, Manipur and Tripura, provisions have been made for the regulation of surrenders on the lines suggested in the Plan. In Gujarat and Maharashtra, surrenders are to be registered but other measures suggested in the Plan have not been adopted. On the whole both administrative and legislative action taken so far have fallen short of the recommendations in the Plan in several States.

Ownership for Tenants

5. It was expected that in the course of the Third Plan steps would be taken to complete the programme for conferring rights of ownership on tenants of non-resumable lands. Progress made in this direction has been uneven. In Gujarat, Maharashtra, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal (in respect of under-raiyats), Delhi, Himachal Pradesh, Manipur and Tripura the law provides for bringing tenants and sub-tenants into direct relationship with the State. In the Punjab, the right of purchase is still optional; and it has been the common experience that the optional right of purchase is scarcely exercised. Several States have not made the necessary legislative provisions. In some States where the provisions for conferring ownership rights exist, the implementation has not been uniformly effective.

Regulation of Rents

6. There are considerable variations in the maximum rents prescribed in the legislation. In several States, maximum rent has been fixed at 1/4th of the produce or less. In some States, such as Andhra Pradesh, Jammu & Kashmir, Madras, Punjab and West Bengal (in case of share-croppers), it is still between one-half and one-third of the gross produce. In most States rents are payable generally as a share of the crop. Share crop rents are difficult to enforce. Commutation of rents into cash rents will facilitate enforcement of rent regulation.

Ceiling on Land Holdings

7. Legislation for ceilings has been enacted in all States except the former Punjab area where a ceiling on ownership has yet to be provided. Meanwhile, in this area the Government have the power to settle tenants on surplus lands under the personal cultivation of landholders in excess of a declared limit. Out of 420,000 acres which have been declared surplus, 150,000 acres have been utilised for settling tenants and landless persons.

8. Some progress has been made in the implementation of legislation regarding ceilings. In Jammu and Kashmir, during the Second Plan period, 4.5 lakh acres were taken over and

distributed. In West Bengal, the State Government has come into possession of 524,000 acres of agricultural land which is being leased out to share-croppers and landless workers on a yearly basis pending its final disposal; further area will become available as implementation proceeds. In Uttar Pradesh 140,000 acres have been declared surplus, of which 24,000 acres have been distributed. In Maharashtra, about 90,000 acres held by sugar factories have been declared surplus and 35,000 acres have been taken over by the State Government. Pending formation of cooperative farming societies, this area is to be managed by the Maharashtra State Farming Corporation. In Andhra Pradesh 52,000 acres of surplus land have been located so far. In Assam, Bihar, Gujarat, Madhya Pradesh, Madras, Delhi, Himachal Pradesh, and parts of Tirpura the provisions in the legislation relating to ceilings have been brought into force. Rules have been framed and preliminary steps are being taken for the implementation of the legislation. In other States, provisions concerning ceilings have yet to be enforced. At this stage, it is a matter of some urgency from the point of view of agricultural development to ensure speedy and effective implementation of the legislation which has been enacted.

9. Legislation for ceilings tends to be defeated because of inadequate measures for preventing transfers of land. The need to provide for the problem of transfers in the legislation itself has been emphasised in the Third Plan. The present position calls for review in several States.

Consolidation of Holdings

10. By the end of the Second Plan, about 29.5 million acres had been consolidated. The target proposed for the Third Five Year Plan was 31 million acres. During the first two years of the Plan about 14.6 million acres have been consolidated and, at the end of 1962-63, consolidation work was in progress over nearly 8 million acres. It is expected that the programme set out in the Plan will be carried out.

Problem of Implementation

11. A number of surveys of land reform undertaken in different parts of the country through the Research Programmes Committee of the Planning Commission have brought out the extreme importance of effective implementation of the legislation which has been enacted. Failures in implementation take away some part of the benefits of the progressive land reform legislation which States have undertaken. A major obstacle in implementation arises from the fact that a large proportion of leases are oral and tenants cannot prove their title through documents. In a number of States, such as Andhra Pradesh, Assam, Bihar, Kerala, Madras, Mysore and Orissa, the land records do not contain information about tenants and share-croppers. There are States also in which records of tenants and share-croppers are maintained, but these are often deficient. An up-to-date and correct record of tenancies is a necessary condition for the implementation of land reform legislation. With a view to expediting preparation and correction of records it was agreed that such schemes might be included in the plans of States and would receive assistance from the Central Government. In some States, provision to this effect has been made in the annual plans, but practical action still lags behind.

ITEM III. ARRANGEMENTS FOR THE PREPARATION OF FOURTH PLAN

A short note concerning arrangements for the preparation of the Fourth Plan was circulated earlier to State Governments (Annexure II). This furnished the list of Working Groups constituted at the Centre for work on the Fourth Plan and suggested similar action in the States.

2. The enclosed paper (Annexure I) supplements the earlier note. The suggestions contained in it are tentative. They will be discussed broadly in the National Development Council and in greater detail with State Planning Secretaries. Thereafter the paper will be finalised.

3. There is one important matter to which attention may be drawn. In the Report on the Third Plan it was stated that an outline plan for the period 1961-76 would be drawn up for the country as a whole. The plan is intended to be a general design of development covering different sectors of the economy and, at the same time, taking into account the levels of development, resources and potential of different parts of the country and their special requirements by way of employment opportunities etc. It is proposed to formulate this overall plan of development along with work on the preparation of the Fourth Plan. Thus, for different sectors of the economy and for each State, the scope of work on the Fourth Plan will include (a) the preparation of a detailed plan for the period 1966-71 and (b) preparation of a broad outline plan for the period ending 1975-76. In particular sectors, according to requirements and data available for the economy as a whole, there may be projections for longer periods.

4. The suggestions regarding the tentative schedule of work for the Fourth Plan mentioned in the enclosed paper mention specifically work in the States and the stages at which the directions of the National Development Council will be required. So far as the Central Ministries and the Working Groups at the Centre are concerned, discussions between them and the Planning Commission will be arranged separately and the various studies needed will be undertaken continuously until the main conclusions affecting the Fourth Plan have been finalised.

ANNEXURE I

Programme for the preparation of the Fourth Plan

1. Scope of Studies for the Fourth Plan

It is proposed to prepare a detailed plan of development for the period 1966-71 along with a broad outline plan for the period ending 1975-76.

2. Tentative Schedule of Work

The final report on the Fourth Plan should be available by March 1966 for consideration by Parliament and State Legislatures. Working back from this date the following tentative schedule of work is proposed with special reference to the States.

(i) November 1963.—Preliminary consideration of arrangements and programme by N.D.C.

(ii) April-May 1964.—Consideration by N.D.C. of a preliminary memorandum by the Planning Commission on the Fourth Plan, including dimensions, problems, priorities, etc.

(iii) August-September 1964.—In the light of the memorandum at (ii) above, it is proposed to hold a series of discussions at the technical and official level on different subjects. The object of these discussions will be to exchange views on the formulation of various development programmes and arrangements envisaged for their effective implementation, the problems which should be anticipated in each field in the light of past experience and evaluation and other studies, and in relation to connected fields. The results of studies at the Centre and in the States on these matters will be pooled. At this stage, it is not intended to come to specific conclusions on the details of the plans of individual States, but the results of studies done in the States will be drawn upon in formulating the national plan. Discussions on individual State Plans will take place after the Draft Outline of the Plan for the entire country has been finalised.

(iv) January-February 1965.—Consideration by N.D.C. of Draft Outline of the Fourth Plan. Publication of the Draft Outline.

(v) May-July 1965.—Detailed discussions between the Planning Commission and Chief Ministers of States concerning State Plans.

(vi) October-November 1965.—Memorandum for N.D.C.'s approval bringing together results of discussions with States and principal magnitudes of the Fourth Plan.

(vii) January-February 1966.—Submission to N.D.C. of final report on the Fourth Plan, which will also embody the outline plan for period ending 1975-76.

3. Working Groups in the States for Studies relating to the Fourth Plan

(i) Arrangements at the Centre.—At the Centre a series of working groups mainly composed of officials from the Planning Commission and the Ministries have been already constituted. The necessary coordination is provided by Planning Commission which will bring the results together, make suggestions as studies proceed and attempt to furnish an overall framework to which proposals for different sectors will be related.

(ii) Liaison with States.—It is envisaged that the Working Groups at the Centre should keep in close touch with the States and make their findings and studies available to them in suitable form from time to time.

Copies of papers sent to the various Departments in the States will be forwarded also to the Planning Secretaries/Development Departments. Planning Commission's Advisers, Programme Administration, will maintain continuous liaison with them and with the Steering Groups mentioned below.

(iii) Steering Group at the State level.—Apart from Working Groups concerned with different fields of development, it is suggested that each State may consider constituting a Steering Group which may include the Chief Secretary, Planning Secretary/ Development Commissioner, Finance Secretary, Director of the State Statistical Bureau and perhaps three or four other principal officials concerned, for instance, with agricultural production, irrigation and power, industries and manpower planning. In each State the Steering Group will give close attention to the special problems and experience of the State. This Steering Group should report from time to time to and seek directions from the State Cabinet or its appropriate Sub-Committee. Provisionally, the functions of the Steering Group may include the following—

(a) To suggest, in consultation with the various Working Groups in the State, the assumptions they might make in working out their proposals and undertaking studies.

To the extent possible, the Planning Commission will try to assist the Steering Groups with tentative suggestions as to the assumptions which may be adopted. In the early stages, it will be necessary to test out the implications of more than one assumption as to rate of growth for the economy and in different sectors. These will need to be studied, in turn, with reference to the conditions and problems of different States.

(b) to recommend measures for mobilising financial resources,

(c) to coordinate manpower and training plans in different fields,

(d) to consider advance action to be taken during 1964-65 and 1965-66,

(e) to assist in the preparation of plans of cities with population exceeding 100,000,

(f) to guide studies relating to identification of backward areas and consider measures for their development,

(g) to review development plans from the aspect of employment,

(h) to consider proposals of an inter-State character, and

(i) to review proposals from Working Groups from the aspect of implementation and coordination between related programmes.

(iv) Working Groups for different sectors.—State Governments will arrange to constitute Working Groups according to their own distribution of functions between Departments and the personnel they are in a position to draw upon. Therefore, there cannot be uniformity in this respect. The following are the main subjects in relation to the preparation of State Plans for which Working Groups would be desirable, the subjects being taken up in suitable combination by different Working Groups :—

(1) Financial resources.

(2) Agriculture and Community Development.

(3) Animal Husbandry, dairying and fisheries.

(4) Forests.

(5) Cooperation.

(6) Irrigation.

(7) Power.

(8) Village and Small industries (including rural industries projects).

(9) State industrial projects.

(10) Transport (including Roads and Road Transport, Minor Ports and coordination with Railways and Ports).

(11) Education (including technical education).

(12) Health and Family Planning (including water supply and sanitation).

(13) Welfare programmes and public cooperation (including backward classes, social welfare, labour welfare, voluntary organisations, etc.).

(14) Employment and rural works.

(15) Housing and urban and rural planning.

(16) Statistics and surveys, including resource studies.

(17) Land reform and agricultural labour.

4. Working Notes

State Departments concerned will be undertaking their own detailed studies to assist the Working Groups constituted by each State Government. Each Department will no doubt lay out a systematic programme for studies.

In addition, it is hoped that Divisions in the Planning Commission may be able to provide from time to time summaries and results of evaluation and suggestions based on studies undertaken for the Working Groups at the Centre. These working notes are intended to assist the Working Groups in the States in their studies, but it is important that work in each State should go forward without delay on the basis of its own experience and knowledge of problems.

ANNEXURE II

Arrangements for the Preparation of the Fourth Plan

The principal objectives of our long-term development programmes have been indicated in the Third Plan Report. Stated in general terms, these are: achievement of a socialist pattern of society which will be efficient and progressive in its approach to science and technology and will ensure inter alia a minimum level of income, expanding employment opportunities and a rising standard of living for the mass of the people, balanced development of the different regions of the country and a level and structure of production capable of providing the basis for a self sustained and rapid growth of the economy at an early date. The basic strategy for attaining these objectives has also been indicated in the Third Plan Report in broad terms. A faster growth in the agriculture sector combined with a rapid expansion of the industrial sector and suitable provision for transport, fuel, power and education will continue to be the essential core of this strategy. Further, the pattern of industrial development is required to be so designed as to free the country's development progressively from balance of payment difficulties. The means for achieving our objectives will necessarily include significant increases in domestic savings, improved efficiency in construction and management of enterprises and sizeable expansion of exports. The size and structure of the Fourth Plan will have obviously to be formulated in the light of these long-term objectives and strategy. But before these can be given a concrete shape, considerable work will have to be done at the Centre and in the States.

2. At the Centre, the Planning Commission has taken certain steps in this direction. Several preliminary studies have been undertaken in the Commission. The Commission has also set up in collaboration with the Ministries a number of Planning/Working Groups at the Centre for formulating proposals for the Fourth Plan. The broad terms of reference of these Groups are: (i) to make a critical review of the progress of the programmes and schemes in the Third Plan period; (ii) to assess, in the light of current trends and other available data, the position likely to be reached at the end of the Third Plan period; and (iii) to formulate proposals for the Fourth Five Year Plan in the perspective of a longer period, say, 1966-76, or even more as may be appropriate. These Groups are at present working provisionally on the basis of the tentative targets for 1970-71 as given in Chapter II of the Third Plan Report. After the Mid-Term Appraisal of the Third Plan is completed and the results of the preliminary studies in the Planning Commission are available, it is proposed to give some further indication to the Working Groups about the size and structure of the Fourth Plan.

3. The Groups at the Centre have been asked to submit by November 1963 a preliminary note giving (i) a provisional list of important projects/schemes which are proposed to be started during the first and second years of the Fourth Plan and the broad supply and demand position in their respective sectors during those years; (ii) the provision that has to be made in the Annual Plan for 1964-65 for advance action in regard to these projects/schemes and for meeting the anticipated demands; (iii) a broad idea of the objectives and tentative targets for the Fourth Plan which the Groups may have generally in mind for the sector with which they are concerned.

4. The Groups have been requested to submit their report by March 1964. The full report of the Groups should include information regarding programmes and projects proposed for inclusion in the Fourth Plan, their objectives, targets, outlays and phasing, as well as a fairly detailed list of supplies and services which may have to be provided for the sector under consideration of a Working Group from other sectors of the economy.

5. In order that there is close collaboration between the work at the Centre and in the States in the initial stages of planning, the State Govts. may also now consider setting up Working Groups. These Groups in the States may cover such fields as Agriculture and allied fields, Irrigation, Power, Village and Small Industries, General and Technical Education, Health (including Family Planning), Urban development and Housing, Welfare of Backward classes, Transport and Financial Resources, etc. more or less on the lines adopted at the time of the preparation of the Third Five Year Plan. Consideration will have also to be given to arrangements for planning at the District and Block levels.

6. It will be desirable for the Central and State Working Groups to be in close touch with one another from the very beginning. A list of the various Planning/Working Groups set up at the Centre is attached (Appendix).

APPENDIX

List of Planning / Working Groups for Fourth Plan

1. Internal & External Resources.
2. International Trade & Development.
3. Industries :
   - (i) Steel.
   - (ii) Machine-building.
   - (iii) Fertilizers.
   - (iv) Light Engineering Industries.
   - (v) Chemicals.
   - (vi) Non-ferrous metals.
   - (vii) Textiles.
   - (viii) Ship-building.
4. Village & Small Industries :
   - (i) Khadi & Village Industries.
   - (ii) Small Scale Industries, Handicrafts & Sericulture.
   - (iii) Handloom & Coir.
5. Coal.
6. Minerals (Other than Coal and Oil).
7. Planning Committee for Transport.
8. Communications & Civil Aviation.
9. Power.
10. Irrigation, Flood Control & Soil Conservation in River Valley Projects.
11. Technical Education.
12. Preparatory Group to collect basic information relating to Scientific Research.
13. General Education.
14. Planning Group on Agriculture.

15. Policy Group on Food.
16. (i) Community Development & Panchayati Raj.
    (ii) Cooperation.
17. Employment & Training.
18. Town & Country Planning (including Water Supply & Drainage).
19. Health.
20. Indigenous Systems of Medicine.
21. Family Planning.
22. Social Welfare.
23. Welfare of Backward Classes.
24. Cultural Working Group.
25. Housing and Urban & Rural Planning.
26. (i) Construction Service of Voluntary Organisations and Labour Cooperatives.
    (ii) Coordinating Committee for Public Cooperation.

SUMMARY RECORD

The **Prime Minister** inaugurating the meeting of the National Development Council said that the Council was meeting after a fairly long interval, the last meeting having been held as far back as November 1962 to consider the situation arising from the Chinese invasion. The Prime Minister observed that the threat and the emergency were still there and it was of the utmost importance to be prepared. He, therefore, stressed that development work must go on and production for defence and development stepped up.

2. The Prime Minister expressed his concern at the relatively slow progress recorded in the initial years of the Third Plan, specially in the agriculture sector. He emphasised that agriculture was the basis of all development; failure in agriculture meant failure in industry also, as industry depended on agriculture. The Prime Minister did not want agriculture to be looked upon as a routine job. He felt that the brightest of the Ministers in the States, may be the Chief Minister himself or a person with a sense of mission, devotion to work, enthusiasm and some ideas, ought to assume charge of this sector. The Prime Minister went on to say that setting up of big industrial plants would not solve the country's problems. It was because of superior agriculture and small industries, the Prime Minister stressed, that Punjab had a higher per capita income than States which had big industrial plants but inferior agriculture. The Prime Minister added that industry was also very important but in terms of a long-term perspective. For the present, greater emphasis had to be laid on agricultural production as it affected the per capita income more directly. In view of this, the Prime Minister cautioned that the country could ill afford any slackness or inefficiency in the field of agriculture.

3. The Prime Minister, noting that the recent set back to agricultural production was by and large the result of adverse weather conditions, said that although it was true that bad harvests occurred from time to time in other countries as well, the test of advancement was doing reasonably well despite adverse weather. He also stressed the role of cooperative institutions in developing agriculture.

4. It was pointed out by the Prime Minister that land reforms were a pre-requisite of agricultural progress and accordingly received immediate attention after independence. He, however, regretted that due to pressures and other difficulties the land reforms programme had not yet been fully implemented. While most States had initiated or passed necessary legislation, it was unfortunate, the Prime Minister said that their enforcement had been held up for one reason or another. The Prime Minister also noted with regret that the old Zamindari mentality continued to prevail, namely, thinking in terms of large estates which sought large incomes on the basis of the size of the estate, rather than the level of productivity. He cited the case of Japanese peasants producing much higher yields per acre even from their small holdings.

5. Referring to the Mid-term Plan Appraisal, the Prime Minister said that in the context of the 25 year period of development envisaged, the present time was appropriate for taking stock of both the progress made so far and of future prospects.

6. The Prime Minister felt that on the whole plan formulation was good but implementation of it left much to be desired. This, he thought, was due to the administrative ladders not functioning as they ought to. He suggested that the States should tone up their administration right down to the lowest levels. He also emphasised that planning was a continuous process and one had to plan

over a sufficiently long period, say, for 20-25 years or so, and work up to it through five year and annual plans. He pointed out that much time was lost in the preliminary phases and suggested that preparatory work should be completed in advance of the schedule time for implementation. In this connection the Prime Minister referred to the agenda papers regarding the arrangements for the preparation of the Fourth Plan and said that advance action had to be taken now in respect of projects to be included in the Fourth Plan so as to get a good start in the initial years.

7. The Prime Minister emphasized the role of education in planned development. He was distressed to note that expansion had been slowed down in some States due to the emergency. He highlighted the need for mass education of children and of specialised education at a later stage. He also remarked that for progress in agriculture, training of rural masses was very important. He further observed that planners could not ignore the human aspects and that the sub-human standards prevailing in India had to be removed. He attached great importance to drinking water being provided in the villages. He went on to say that in the final analysis it was the human being that counted; whether he was a minister or an administrator or a worker in the field or factory. In this connection he mentioned that Germany, Japan and Russia, following different administrative structures, had succeeded in rehabilitating their war devasted economies and in achieving a high rate of growth within a period of 10 years because the average man in those countries was trained and worked hard. He urged that we should likewise put in hard and efficient work and not get lost in mutual controversies and squabbles. He added that the task of planning and development had to be undertaken with the fullest cooperation between the Centre and the States and between the States inter se. He referred to the unfortunate rivalry among States over one thing or another and said that the process of development had to be looked upon as a whole for India.

8. Concluding, the Prime Minister said that the Chief Ministers had earlier met the Finance Minister who had given them a picture of the financial situation. He wanted that the discussions in the Council should be confined to the larger problems facing the country and reference to issues such as establishment of a factory in this or that State strictly avoided; matters concerning individual States could be taken up with the Planning Commission separately. The Prime Minister was hopeful that the deliberations of the Council would give a clear indication of the guide lines for future action.

9. The Deputy Chairman, **Shri C. M. Trivedi** speaking next drew attention to the importance of a Mid-Term Appraisal for identifying the weak points in implementation and in determining remedial measures. Reviewing the progress made so far he said that the performance in the first two years of the Plan was better than what might appear at first sight. In respect of mobilisation of resources the Centre had done much more than was expected of it. A number of States had also done well. Plan expenditure had been in accordance with the scheme of the Plan although some sectors had done better than others. In order that the pressing needs of the economy could be more adequately met particular attention had been given in the initial years to the reinforcement of power and transport programmes. It was anticipated that the plan expenditure for the five year period was likely to be of the order of Rs. 8,000 crores as compared to the financial provision of Rs. 7,500 crores in the Plan.

10. Referring to the shortfall in agricultural production, the Deputy Chairman said that it could not be wholly attributed to weather conditions. In the agricultural sector problems of implementation, administrative efficiency, organisation and coordinated action were of great importance. He added that it could not be said that the action taken by the Centre or the States had been commensurate with the size and urgency of the tasks to be carried out. The Dy. Chairman stressed that in order to realise optimum benefits from the expenditure incurred, the quality of implementation of each

development programme had to be considerably improved. Secondly, there should be closer coordination of effort in drawing up plans and in executing them by various agencies concerned. Thirdly, in order to counter the influence of seasonal factors it would be necessary to concentrate on areas which are selected for intensive development. He added that it would also be advisable to limit the number of intensive areas instead of spreading the available resources thinly.

11. Referring to power, the Deputy Chairman said that the setting up of regional grids would result in substantial savings and standby capacity leading to reduction in capital investment and operational expenses. He made it clear that the Plan attached great importance to the successful implementation of programmes in the social services sector as they contributed to essential community needs. There was no doubt in his mind that more should be done in the direction of family planning, rural water supply and expansion of scholarship schemes. He also felt that besides raising the administrative efficiency generally and building up larger and better trained cadres for the purpose, the States had also to strengthen their machinery for Planning.

12. The Chief Minister, West Bengal, **Shri P. C. Sen** said that the lag in the production of food crops in his State was due partly to the diversion of acreage to Jute production to keep the mills running and partly to adverse weather conditions. Experience showed that in a five year cycle there was usually one normal year and one bumper year as against one year of floods and two years of drought. He mentioned that irrigation facilities in West Bengal were inadequate. The expected supply of water from the DVC for rabi cultivation had not materialised and even for the kharif the supply was barely sufficient. The Chief Minister felt that even if paddy production could not be increased, West Bengal would be able to increase production of other food crops such as potatoes. He added that tube-well irrigation had been taken up in West Bengal in addition to canal irrigation, but all the tube-wells could not be energised for want of power. Shortage of power was very acute in West Bengal. Regarding land reforms he said that it could not be pushed through expeditiously in view of the complexity of the problem; follow-up action was, however, being taken. Referring to the preparatory action for the Fourth Plan, he said that Study Groups had been constituted in his State. He wanted the NDC to give some broad indication of the strategy for the Fourth Plan, of the likely size of the Plan and of the financial assistance from the Centre. Answering a query, the Chief Minister stated that the deep-sea fishing schemes in his State had not met with success; tank fishing had, therefore, been taken up.

13. The Chief Minister, Andhra Pradesh, **Shri N. Sanjeeva Reddy** said that the time taken in completing major projects and the delay in the accrual of benefits from them had discouraged the general public. He accordingly suggested that the Centre should assume the responsibility for the implementation of the major projects and complete them quickly. This should, however, not result in the size of the State plans being cut. He wanted that fertilizers and seeds should be given to States on credit; in the absence of this facility the State could not distribute them expeditiously. The Chief Minister made a strong plea for raising the ceiling fixed for minor irrigation project from Rs. 10 lakhs to Rs. 15-20 lakhs. Costs had gone up and targets could not be reached unless outlay increased. Regarding extension of rural electrification, he said that unless additional finances were forthcoming they could not make the desired headway.

14. The Chief Minister, Rajasthan, **Shri Mohanlal Sukhadia** said that his State had abolished all intermediaries and introduced the system of cash rents. A Commission had been set up to report on the progress of land reforms. He assured that effort had been made to increase agricultural production but while 1961-62 recorded significant increase in agricultural production, 1962-63 did not turn out to be a good year. The State was giving particular attention to animal husbandry which

helped in ameliorating the lot of the peasants. The peasant could, without much technical guidance, take to animal husbandry. He asked for foreign exchange facilities to import pedigree bulls for developing good breeds in his State. Regarding extension of credit facilities to the peasant, the Chief Minister stressed that in his State the demand was more for medium and long-term loans than for short-term credit. In his view the VLW required more intensive training to be really effective and emphasised the importance of adult education in the rural context. He also wanted the respective roles of the Village, Khadi and large industries to be more clearly defined. Why some industries had failed to come up required to be investigated so that bottlenecks could be removed quickly; he referred in particular to the lack of progress of the fertilizer project in the private sector. It would also be desirable to clearly define the roles of the public and private sectors. He wanted that Central assistance should in future be strictly on the basis of the relative backwardness of States. To determine this it would be necessary to find out the per capita income in each State. This would indicate the capacity of each State to raise additional resources. Referring to the rural water supply programme, he said that in view of the paucity of financial resources, the programme could be implemented only through diversion of funds from other programmes which, however, was not permitted.

15. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** was of the opinion that the individual farmers should be contacted in order to increase agricultural production. He made a strong plea for the manufacture of small tractors preferably in the public sector in the country and making them available to the cultivators on instalment basis. He also wanted soil testing laboratories to be set up at once. He was convinced that the use of tractors coupled with soil analysis could substantially raise agricultural production. He had no doubt in his mind that within the next few years all available output of fertilizers in the Punjab or adjoining regions could be utilized in the Punjab itself. He felt that in the next Plan a target should be laid down for diverting people from agriculture to industry. He indicated that the system of cash rents was not suitable to Punjab.

16. The Chief Minister, Maharashtra, **Shri M. S. Kannamwar** said that his State had abolished all intermediaries and the ceiling law was under implementation. The State had been able to achieve the target for additional taxation. He explained that in view of the delay in the receipt of fertilizers by the State, it was not possible to make it available to the villagers in time; some arrangements will have to be made to get over this difficulty. The Union Minister for Agriculture, **Dr. Ram Subhag Singh** intervened to say that except in Maharashtra and Madras fertilizer was available in time everywhere. The Union Railway Minister, **Shri H. C. Dasappa** said that wagons were now being made available in adequate numbers for transporting fertilizers.

17. The Chief Minister, Madras, **Shri M. Bhaktavatsalam** said that the farmers were not able to purchase the expected quantity of fertilizers because of the high price. This necessitated consideration of price reduction. He agreed with the Punjab Chief Minister that small tractors should be made available to raise agricultural productivity. The State had implemented land reforms and passed the legislation relating to ceiling and tenancy. Referring to the Fourth Plan, the Chief Minister said that States were anxious to obtain some indication of the financial implications of the Fourth Plan and to consider their own resources. He reminded that committed expenditure was already considerable and wanted the question of allocation of revenue resources as between the Centre and the States to be re-examined; there should also be advance earmarking of Central assistance.

18. The Chief Minister, Madhya Pradesh, **Pandit Dwarka Prasad Mishra** said that in his State the programme of land reforms had been almost completed and a review was to be taken up shortly. While there was sufficient land available, he agreed with the Chief Ministers of Punjab and

Madras that for securing higher yields, small tractors were essential. In his view, adequacy of irrigation was of the highest importance; the use of fertilizers was also dependent upon it. The Chief Minister pointed out that rise in costs had resulted in diversion of funds to major projects. He stated that progress of industries in the private sector had also not been satisfactory. Reviewing progress in other sectors, he said that the State was finding it difficult to attain the target in primary education due to the shortage of teachers. Raising the salary of teachers had placed substantial additional financial burden on the State. Financial difficulty was also being experienced in implementing urban and rural water supply schemes. He asked for additional assistance from the Centre for programmes in the social services sector.

19. The Prime Minister of Jammu & Kashmir, **Shri Shamas-ud-Din** referred to the absence of large project or large industries in his State, although there was scope for several industries. To illustrate his point he said that despite suitability of climate, a watch factory for the State had not been sanctioned. He added that even the industrial estates started in the State had not been functioning for lack of raw materials resulting in funds invested in them lying idle. Referring to the status of land reform in his State, he said that the State had transferred land to the tiller without paying compensation and reduced indebtedness by remission of outstanding loans; a Land Commission had been set up. It was hoped to strengthen the relation of the tiller and the landlord and to provide incentives to the tiller to produce more. As the cultivation of fruit and vegetable was more paying in his State, farmers tended to move away from foodgrains. It was, therefore, difficult for his State to be self-sufficient in the matter of foodgrains, though incentives were being given to farmers through cooperatives. The Prime Minister requested that funds be provided to the State for power projects. These projects, he asserted, would not only help his State but also the neighbouring areas. He informed the Council that the State had set up a Planning Board.

20. The Chief Minister, Uttar Pradesh, **Shrimati Sucheta Kripalani** outlined some of the steps taken to implement land reforms in Uttar Pradesh—intermediaries had been abolished; ejectment had been stopped; right of resumption had been given as a result of ceiling of 12½ acres; subletting was permitted only to assamis; and share cropping was prohibited. As a result of the visit of the Central Study Team on Agriculture, the State had set up an Agricultural Sub-Committee of the Cabinet and an Agricultural Supplies Organisation. The Chief Minister went on to say that the Northern India Canal Act had been amended so that the State could take up maintenance of works if the Gram Sabha was not able to do it. The U.P. Soil Conservation Act had also been amended to increase the facilities for soil conservation work. In order to improve the functioning of tube-wells their command was reduced and the rate of levy on tube-well water for kharif crop had been reduced. A small bonus was given to tube-well operators. Owing to lack of storage facilities distribution of fertilizers had been impeded. Owing to shortage of cement and coal, construction of godowns was slow. It had been recently decided to provide credit facilities to the cultivators for the purchase of fertilizers through cooperative societies.

21. The Chief Minister stressed that the eastern districts of U.P. required assistance both from the Centre and the State. Irrigation by tube-wells or minor irrigation programmes was the only feasible method. Unless the Government of India relaxed the terms on which loans are given it was difficult to cover these districts. Power and transport facilities were required to develop this area. In order to build a road bridge across Ganga at Ghazipur, the State required help from the Centre to meet the entire cost. It would also be desirable to set up agriculture-based industries like canning, Vanaspati, paper etc. in these districts as raw material was available there.

22. The State was backward in the matter of girls' education. Due to the emergency the

budget for the Education Department had, however, been cut. Additional ad hoc funds from the Centre would accordingly be required. The Chief Minister also felt that at the time of preparation of the draft Plan, the Planning Commission should discuss the allocation of foreign exchange to the States. The Chief Minister also observed that the release of foreign exchange and technical clearance should be speeded up and that the State should be granted at least a minimum amount of foreign exchange pending final approval. The procedure for the allocation of foreign exchange to the private sector should likewise be rationalized to eliminate unnecessary delays.

23. The Chief Minister, Bihar, **Shri Krishna Ballabh Sahay** felt that the term 'tiller' required to be more precisely defined in implementing land reforms. The entire outlay for agriculture was expected to be utilized in his State but the potential likely to be created would be short of the target. Irrigation was the crucial factor in increasing agricultural production. The use of fertilizers was also dependent on the adequacy of irrigation. The Chief Minister then referred to the inadequacy of funds for the large multipurpose irrigation and power projects. He stressed that unless power was taken the village will not improve. While stressing the need for augmenting cooperative credit in the agricultural sector, he felt that the needs of industrial cooperatives should not be overlooked and suggested that special grants might be provided to them. For educational programmes the State also required additional funds. He reminded that this had been recommended by the Dhebar Commission. Regarding the States' resources position he said that it was hoped to pass the Bill on Surcharge on land soon and to take certain other measures to improve the financial position of the State but in as much as Bihar was a backward area, the taxable capacity of the people was limited.

24. The Finance Minister, Assam, **Shri S. A. Ahmed** stated that in terms of plan expenditure the performance was satisfactory but the benefit derived was not commensurate with the outlay. He suggested that a Committee might go into it. He mentioned that the basic problem in the agriculture sector was to provide major irrigation facilities and control floods. He felt that this should be dealt with on an All-India basis, the Centre providing the required funds as well as technical assistance. To carry through its Third Plan power programme, the State required financial assistance from the Centre. Help was, for instance, required to complete the Kopali Project, a multipurpose project. Similarly, though the Jumuna Project had been approved, the State could not make a start because funds were not available. Both agriculture and industry were experiencing power shortages. The power pumps supplied to the cultivators and the deep tubewells were not functioning properly due to inadequacy of power. The Minister also felt that in order to increase agricultural production suitable price incentives should be provided and the farmer's essential requirements made available to him at reasonable prices. Credit facilities also required to be augmented, particularly medium and long-term loans. In this connection he mentioned that there was a tendency for cooperative credit to be utilized for non-productive purposes; also repayment had become difficult in view of the loss resulting from floods.

25. The Chief Minister, Orissa, **Shri Biren Mitra** stated that adequate incentives had not been given to the cultivator to raise food production. The middle-man took away all the profits leaving very little for the actual cultivator. He was of the view that State trading in foodgrains should replace the private trader. He wanted the Planning Commission to review the restrictions placed on the diversion of funds. Regarding implementation of land reforms, he said that the delay in the amendment of Article 31(a) of the Constitution was holding up progress.

26. The Chief Minister, Kerala, **Shri R. Sankar** stressed the importance of local problems. The density of population in the State was a great handicap to development work. Unemployment among the large literate population led to considerable waste of human resources.

Agriculture could not absorb as many persons as in other States. Moreover, with the increase in population every year residential area was cutting into agricultural land. Keeping this in mind, the State Government had requested the Central Government to permit people from Kerala to colonise part of Dandakaranya, but this was not agreed to by the Centre. To improve the yield from various crops like coconut, pepper, cashew etc. he suggested that fertilizers might be made available at concessional rates. He stressed that these commercial products provided a ready market abroad and were a good source of foreign exchange. The same was true of fisheries, as Kerala was one of the richest fish regions, but to develop this industry additional funds were required. The problem of sea erosion also required urgent consideration by the Centre. The Chief Minister felt that in spite of land reforms the State was not likely to have surplus food as the average size of holdings was very small. The Chief Minister concluded by saying that many local problems could be solved if industrialisation was stepped up in the State, for which adequate supply of power was needed.

27. The Chief Minister, Mysore, **Shri S. Nijalingappa** also felt that large irrigation and power schemes should be financed and implemented by the Centre. He also wanted that more suitable arrangements should be made for the consideration of financial adjustments within the Plan. The Chief Minister felt that it would be better if the Five Year Plans could commence after the General Elections to facilitate introduction of new taxes. He went on to say that effort was being made to make up the initial gap in additional taxation but it was unlikely that the target would be fully achieved. Referring to the problem of increasing agricultural (food) production, the Minister stressed in particular the need for extending well irrigation in his State. He indicated that it was proposed to subsidise their construction by the agriculturists; additional funds would, however, be required. The Chief Minister said that there was acute shortage of drinking water in the villages. The State had submitted an 8 year scheme costing Rs. 24 crores for consideration by the Planning Commission. To encourage small-scale industries, industrial estates equipped with imported machinery had been established but many were idle for lack of raw materials. He wanted this problem to be looked into immediately.

28. The Chief Minister, Gujarat, **Shri Balvantray Mehta** said that land reforms had made progress in his State. He agreed with some of the earlier speakers that the Centre should take over the major irrigation and power schemes. Some old projects had not yet been completed and the benefits therefrom not realized. He was hopeful that targets for commercial crops would be exceeded. He went on to say that if the Narmada could be controlled not only additional irrigation would be provided but navigational facilities and power would also be available. He felt that it was possible to cultivate some areas of the Rann of Kutch but as the State did not have resources for reclaiming it the Centre might take it up. The failure to construct the highway connecting Kandla with the hinterland was hampering the development of Kandla Port. He also mentioned that the road programme in his State had generally lagged and required special attention. The Minister also referred to the shortage of raw materials resulting in loss of industrial capacity. He further indicated that it had not been possible to supply drinking water in many parts of the State and referred to the lack of proper coordination amongst the agencies concerned.

29. The Chief Minister, Pondicherry, **Shri Eduard Goubert** said that there were no major industries in Pondicherry; these should, however, be set up either by the Centre or the State. Small industries were suffering for want of raw materials, particularly, iron and steel. The demand for power was considerable but owing to limited resources the State was not in a position to undertake power schemes. Concluding, he referred to the prosperity enjoyed by the State when Pondicherry was a free port.

30. The Development Minister, Tripura, **Shri S. Sen Gupta** said that his State had no revenues of its own and was entirely dependent on the Centre. Being a landlocked area bounded on all sides by Pakistan, only air communication with the rest of India was possible and everything had to be imported via Pakistan or by air. Furthermore, political developments in Pakistan had their repercussions on Tripura and often refugees poured in large numbers giving rise to the problem of rehabilitating them. He stressed that there was scope for developing paper, textile and other industries in Tripura in view of the availability of the necessary raw materials and was confident that this would go a long way to solve the State's economic and financial problems.

31. The Lt. Governor, Goa, **Shri M. R. Sachdev** stated that the amount allocated in October, 1962 had been spent on repair of roads, construction of bridges and allied matters. The main problem in Goa was, however, the setting up the administration and opening of departments like animal husbandry, panchayat etc. It was proposed to establish a steel plant, a pig iron plant and a fertilizer plant. There was considerable scope for developing the Port of Marmagoa. Mining was an important industry and if the required foreign exchange could be made available to modernize equipment and improve communications, nearly 6 million tons of iron ore could be exported annually. Agriculture was still the main occupation in the rural parts but the technique very poor and the yield very low. He said that provision of irrigation facilities, bunding, soil and forest conservation and land reclamation measures would help to raise agricultural productivity. The State had made a beginning in the direction of land reforms and a Commission had been set up to go into the question more fully. In order to give interim relief the auctioning of Kamdan land was done at low prices and the tenants were asked to pay low rents also. Eviction of tenants had been stopped.

32. **Shri Shriman Narayan**, Member, Planning Commission touched upon some of the points raised by the Chief Ministers. Regarding the financial limit in vogue in respect of minor irrigation, he said that the Conference of State Ministers of Agriculture had recommended that the limit be raised. It had now been decided that in the Fourth Plan the limit for minor irrigation projects would be raised from Rs. 10 lakhs to Rs. 15 lakhs. He requested the Chief Ministers to step up minor irrigation and soil conservation programmes and give special attention to the maintenance of minor irrigation and soil conservation works. He assured that every effort was being made to augment the supply of fertilizers. He then referred to certain distributional difficulties and wanted that the recommendations of the Central Team be implemented. In this connection he referred to the various credit facilities that had been extended for obtaining fertilizers and drew attention to the recommendation that fertilizers should be supplied in kind through cooperative agencies. He wanted that besides encouraging the use of chemical fertilizers, programmes like composting, green-manuring, urban composting, which did not require foreign exchange, should be taken up energetically as they had not progressed satisfactorily. The use of improved agricultural implements, including power tillers and tractors, which could be manufactured mostly in the country, should also be encouraged. He further stated that the Planning Commission attached great importance to plant protection and would be prepared to relax the pattern of assistance.

33. He was glad to note that all the States had set up high level committees as recommended by the Central Teams. From the administrative point of view it was important that these committees met regularly and coordinated the activities of the various Departments. He was particular that funds meant for animal husbandry should not be diverted to other heads. Referring to the point raised by the Chief Minister, Punjab, regarding payment of rent in cash, he said that the recommendation was administratively easy to implement but it was not intended to make it compulsory. The Member agreed with the Chief Minister of Orissa that voluntary surrender of land led to certain malpractices. He informed the Chief Minister, Kerala, that the State could step up

plantation crops even at the expense of paddy production as plantation crops were valuable foreign exchange earners. He thought that Mysore had done rather well in respect of minor irrigation. He agreed with the Chief Minister of Gujarat that there was lack of coordination in respect of rural water supply programmes, for instance some schemes were under the Health Ministry and some under Local Works Departments.

34. The Minister of Food & Agriculture, **Sardar Swaran Singh** was apprehensive of a shortfall in the production of foodgrains, cotton and oilseeds. He stressed the importance of increasing production of these crops, particularly of wheat and oilseeds. The ratio of imports to production was the highest in the case of wheat, while oilseeds were a valuable source of foreign exchange. He reminded that only two years were left to make up for the lag in agricultural production. Agricultural programmes had, therefore, to be implemented with a sense of urgency. He warned against diversion of funds earmarked for agriculture. In the districts where the package programme was being implemented an intensification of effort was needed.

35. Concluding, the Minister said that it was proposed to constitute an Agricultural Production Board at the Centre consisting of the Ministers in charge of Agriculture, Community Development & Cooperation, Irrigation & Power, Food & Agriculture and Member (Agriculture), Planning Commission, so that decisions on major issues could be considered in a coordinated manner, and on a regional basis, if necessary, and speedy action taken to implement these decisions. Such an arrangement, he said, would help push forward the various agricultural programmes. Regarding rural credit, he was of the view that the difficulties experienced were of an organizational and procedural nature and could be resolved.

36. The Deputy Chairman, **Shri C. M. Trivedi** assured State Chief Ministers that should it emerge from the Annual Plan discussions that payment of Central assistance ought to be accelerated to speed up implementation, the matter would be taken up with the Union Finance Minister. The Deputy Chairman then referred to the improvement in the utilization of irrigation potential except in a few States. He also pointed out that not all States had enacted legislation fixing obligation for construction of field channels and maintaining them on the beneficiaries.

37. **Prof. M. S. Thacker**, Member, Planning Commission stated that plan target for primary and secondary education was expected to be fulfilled but standards could not be maintained. There was also a rush for University education but the Universities were unable to cope with it. He went on to say that the problem of educated unemployment was also growing in size and required immediate attention. The Member further stated that the present rate of growth of population was a matter of grave concern. The family planning scheme had not made satisfactory progress. He wanted the Chief Ministers to give particular attention to this programme.

38. **Shri T. N. Singh**, Member, Planning Commission said that the shortfall in the private sector (industry) was under examination. He welcomed the idea of the Chief Minister, Punjab, regarding the introduction of small tractors. He felt that there could be no objection to its being taken up in the public sector. Regarding availability of fertilizers, he reminded that the foreign exchange position was difficult but assured that everything possible would be done. He informed the council that special programme for setting up industries in Eastern U.P. was being drawn up.

39. Referring to Kashmir Prime Minister's anxiety for large industries being set up in his State, the Member said that certain industrial project reports were being prepared by Central Government officials. He hoped that the difficulties faced by the industrial estates in the matter of obtaining raw materials would be only temporary and reminded that Planning Commission had earlier cautioned

against too rapid an expansion in view of the possibility of such difficulties.

40. The Prime Minister said that the discussions so far had been very helpful and enabled the participants to get an idea of the problems of each State and a picture of India as a whole. The object of the Planning Commission was to have a comprehensive view of development problems.

41. The National Development Council resumed discussions on the following morning and considered a draft statement embodying the main findings emerging from the previous day's deliberations.

42. The Union Minister of Health, **Dr. Sushila Nayar** wanted that some reference to the completion of the malaria eradication programme might be made in the Statement under consideration. She said that the maintenance phase was to commence in a number of States from March 1964. Maintenance work is to be taken over by primary Health Centres, their sub-centres, and certain hospitals and dispensaries. Unfortunately, the programme of Primary Health Centres had lagged behind. If the malaria eradication programme was to be completed and additional expenditure on account of delay in the maintenance phase is to be avoided, then urgent steps will have to be taken for taking over of the maintenance phase by the Primary Health Centres in the States concerned. Some extra funds may have to be found to help the States concerned to expedite their primary health unit programme. She pointed out that there had already been delays in carrying out the programme in certain parts of the country thereby increasing the total cost of the eradication programme.

43. The Prime Minister supported the Union Minister of Health and said that every effort should be made by the States to take up the maintenance phase of the malaria eradication programme in the areas from which the eradicational units were to be withdrawn from March 31, 1964.

44. The Chief Minister, U.P., **Shrimati Sucheta Kripalani** interceding stated that if the malaria units were to be maintained by the States, the ceiling will have to be raised for otherwise diversion of funds to this programme would adversely affect other programmes.

45. The Union Minister for Community Development and Coop., **Shri S. K. Dey** felt that the entire technical staff of the Agriculture Departments was involved more in supply and service functions than in demonstration work. He wanted the Agricultural and Veterinary Colleges to be associated with Extension work since the farmer was in need of technical advice. In order to improve the agricultural education of the extension staff, he felt that it would be better if the agricultural training institutions were brought directly in touch with extension work. In order to assist the Gram Sewak in his work, the Ministry of C. D. and C. had started training of Gram Sahayaks who were chosen from among the progressive cultivators in the villages. He wanted that in the draft Statement circulated emphasis be given to associating progressive cultivators with Extension work. He also felt that Panchayati Raj institutions might be delegated powers for carrying out land reforms and system of rewards and penalties might be introduced to make them more effective. The funds meant for agriculture and allied subjects should form one composite whole and these funds should not be diverted to other heads. He felt that the Village Volunteer Force was not being fully utilised by the States.

46. The Union Minister of Scientific Research & Cultural Affairs, **Shri Humayun Kabir** said that the pay-scales of teachers should be made more attractive.

47. The Union Minister for Planning, **Shri Bali Ram Bhagat** opening the discussion on the programme of work for the Fourth Plan said that at this stage it was more important to make

appropriate arrangements for preparatory work in connection with the Fourth Plan than speculating about the likely size, strategy and objectives of the Plan and added that the broad objectives and magnitudes of the long-term development perspective had been given in the Third Five Year Plan and in a paper circulated earlier to the States. He then referred to the programme of work drawn up which envisaged completion of the Preliminary Memorandum by March 1964 for consideration by the National Development Council and of the draft outline in February 1965 for consideration by the National Development Council and Parliament.

48. The Minister for Planning then drew attention to the fluctuation in the tempo of development activities in the past. He wanted that a steady upward tempo should be maintained from the start of the plan period and continued into the next plan period and added that development should be viewed as a continuous process. The Minister emphasised that during the remaining period of the Third Plan, all our efforts will have to be directed towards the achievement of the key targets in both the agricultural and industrial sectors, in respect of which, he reminded, the progress so far had been seriously lagging affecting the rate of overall economic growth.

49. The Minister felt that in order to make planning really democratic more people (non-officials and experts of different kinds and universities and other institutions) Zila Parishads and Panchayats etc. should be associated in this task in the States and that there should be complete coordination between the work at the Centre and in the States. The Minister next stressed that the targets set for agriculture should be realistic and the temptation to fix too high targets, resisted. Concluding his remarks the Minister said that advance action for the completion of projects in the next Plan will have to be initiated now. He wanted a list of such projects to be prepared immediately and urged upon the Chief Ministers to give their earnest attention to the tasks of the Fourth Plan.

50. The Chief Minister, West Bengal, **Shri P. C. Sen** suggested that development plans for large cities might be outside the Fourth Plan. After a brief discussion, it was agreed that they should be included in the Plan. Answering a question from the Chief Minister, Kerala, Member (A&T), Planning Commission (Shri Tarlok Singh) stated that the Annual Plan for the first year of the Five Year Plan was prepared in advance.

51. The Chief Minister, Punjab, **Sardar Partap Singh Kairon** said that the Fourth Plan should be consistent with the Jaipur Resolution, namely, aiming at establishing a self-generating economy; ensuring food, clothing and shelter to all; and providing full employment. He stressed that there should be no unemployment in the Fourth Plan and wanted that the problem of unemployment and underemployment should be thoroughly examined and appropriate schemes formulated; a Committee might go into this.

52. The Chief Minister, U.P., **Shrimati Sucheta Kripalani** said that during the Fourth Plan period no one should have an income below a certain minimum and regional disparities should be reduced. She wanted that the Fourth Plan should aim to achieve this.

53. **Prof. V. K. R. V. Rao**, Member, Planning Commission wanted the States to play a more vital role in planning and not depend so much upon the lead and initiative from the Centre as hitherto. He suggested that as part of preparation for the Fourth Plan, State Governments might attempt a mid-term appraisal of their own Plans. He also suggested that they should get a view of the effects of planning in their States from the point of view especially of backward classes, backward areas, and employment. This, of course, raised the question of setting up adequate planning machinery in the States. He pointed out that employment, social welfare, minimum benefits, backward areas were subjects with which the States were primarily concerned. The States should

also concern themselves with the problems of manpower and identification of backward areas. He went on to say that the Centre would be providing the infrastructure or overheads, but the responsibility for carrying out agricultural, educational, health and welfare programmes rested mainly with the States as indeed also of seeing that full advantage was taken in terms of economic activity by the use of these overheads. He felt that the States should concentrate on a large number of small schemes including programmes for backward areas to be drawn up on the basis of studies made at the ground level. In this connection he stressed the importance of pre-investment surveys in the States and mentioned that funds from the Special UN Fund could be used to finance such surveys.

54. **Shri Tarlok Singh**, Member, Planning Commission said that four meetings of the National Development Council had been at present planned for the consideration of the Fourth Plan. While a long term perspective had been envisaged in broad terms even when the first Plan was formulated, the stage had been reached when a clear indication of the different aspects of growth in the economic structure over the next 10-15 years had become necessary in concrete terms. Accordingly, the approach in the case of Fourth Plan was that there would be in addition to the plan for the next 5 years, an outline Plan up to the end of the Fifth Plan period as well.

55. The Member stated that State Plans were growing in size and complexity as a result of the development that was taking place. In this connection he mentioned that the Planning Commission was engaged, in consultation with State Governments, in the study and identification of the principal resource regions in India and added that plans of States would eventually have to be tied up with these resource regions.

56. He then drew attention to the importance of improving the quality and coverage of the statistical, economic and other technical data required in formulating plans. In this connection, he referred to the role of the C.S.O. and State Statistical Bureaus and suggested steps for securing estimates of States' income on a comparable basis. He added that a good deal of research and evaluation had to be related to local problems and situations in different parts of the country to make the implementation of plan schemes more meaningful. Finally, the Member mentioned that with the increase in the range of tasks, it had now become imperative that the planning machinery in the States be strengthened even in the States which were relatively better equipped. The Member also stressed the need to view the various schemes making up the State Plan in an integrated manner, particularly development in the rural and urban sectors of the economy.

57. **Shri Shriman Narayan**, Member, Planning Commission felt that the role of rural works programme had not been fully appreciated. The schemes set up by the States gave the impression that these programmes were regarded as approximating to famine relief measures. He clarified that the programme was designed to be of a productive nature.

58. The Chief Minister, Maharashtra, **Shri M. S. Kannamwar** said that the contribution required from the local people was difficult to obtain especially from the unemployed labourer. Member (Agriculture) made it clear that it was not intended to obtain contributions from the unemployed; the contributions were to come from village institutions and from the people who were better off in the villages.

59. **Shri S. K. Dey** said that the village labour force was not being fully utilised. He wanted that the rural works programme should be looked upon as a device for the mobilization of the abundant manpower resources of the country.

60. The Finance Minister, Mysore, **Shri B. D. Jatti** thought that the cooperative loans were being issued at a high rate of interest, namely 7½%. He wanted that it should be reduced to 5%.

The Governor Reserve Bank **Shri P. C. Bhattacharyya** intervening said that the State Governments were the proper supervisory authorities for ensuring that reasonable rates prevailed.

61. **Shri S. K. Dey** speaking again said that if the operations of cooperative societies could be increased, the cost of operation per unit would be less and the rate of interest would come down.

62. **Sardar Partap Singh Kairon** felt that it would be difficult to interfere in the working of the cooperative banks which were independent bodies.

63. **Shri S. A. Ahmed** said that a variety of factors, including the terms on which deposits could be attracted, had to be taken into account in determining the rate of interest charged by cooperatives.

64. The Prime Minister announced the formation of Land Reforms Committee consisting of Union Ministers of Home and Agriculture, Member (Agriculture), Vice-Chairmen of the Zonal Councils and Prime Minister, Jammu & Kashmir. State Revenue Ministers would be invited.

65. At the conclusion of the discussions, the Prime Minister stated that the meetings of the National Development Council served the purpose of making us think of the Indian problem as a whole and of the planning approach to it. He reiterated that Planning ultimately meant raising of human standard, giving everything necessary to human beings and that the solution to this problem could very well take 10 years. He added that in drawing up perspective plans, social and economic points of view must prevail over the political point of view. Referring to the rate of development achieved by small European countries, such as Austria which was as big as a district in India, he said that India could make similar progress if there were a sufficient number of trained and dedicated people.

66. The National Development Council approved of the following statement :

"At its twentieth meeting held on November 8 and, 9, 1963, the National Development Council considered the Planning Commission's report on the mid-term appraisal of the Third Five Year Plan. Although in a number of directions significant progress had been made since the beginning of the Third Plan, the period was one of slow economic growth. In particular, partly on account of unfavourable weather conditions, there had been a setback in agriculture and, on present indications, the output of foodgrains, cotton and oilseeds was likely to fall short of estimates in the Third Plan. The Council broadly agreed with the findings and recommendations of the Planning Commission and decided that the Central and State Governments should proceed, as a matter of urgency, to take all necessary steps to correct the existing deficiencies and ensure the realisation of the objectives and targets of the Third Plan.

"The Council reviewed the progress of agricultural production in different States during the past two years and the broad lines along which efforts should be intensified. The highest priority should be given to agriculture, for a stable and progressive agricultural economy constitutes the essential foundation even for the growth of industry. Proposals for securing the fullest coordination in agricultural production programmes between different agencies at the State, district and block level which were recently made by the Working Group set up by the Joint Conference of State Ministers of Agriculture and Community Development had been already commended to State Governments for necessary action. With a view to ensuring an integrated approach in matters of agricultural policy on behalf of the Central Government, it was proposed shortly to constitute at the national level an Agricultural Production Board with the Minister of Food and Agriculture as Chairman and comprising the Ministers of Planning, Agriculture, Community Development and Cooperation and Irrigation and Power and Member for Agriculture in the Planning Commission. The Council stressed the need for special measures to increase the production of foodgrains, cotton, oilseeds and other commercial crops. It was recommended that in areas with irrigation and assured rainfall and specially in areas selected for intensive development, concentrated efforts should be made to secure rapid increase in production. Special attention should be given to extension work at the level of the village, efficient arrangements for supplies and technical advice, provision of credit, introduction of improved implements and machinery and strengthening of the cooperative movement. Increasing use should be made of institutions engaged in agricultural research, education and training and of progressive farmers in developing extension activities. The farmer should be assured an adequate return for his labour and investment. This would give to him the necessary incentive for increased production and higher yields.

"During the next two years miner irrigation programmes should be expanded to the extent possible, and from this aspect, facilities for the extension of rural electrification should also be developed. Fertilisers were being made available on a steadily increasing scale and efforts should continue to obtain such further supplies as could be utilised. There should be efficient arrangements for the distribution of fertilisers, as far as possible through cooperatives, and the necessary credit should be assured. At the same time, effective action should be taken to implement the programmes for composting and green manuring. Soil conservation programmes have not made adequate progress in a number of States and steps should be taken to strengthen the State Organisations and expanding training facilities. It was also essential to make available larger amounts of medium and long-term credit. In addition to agricultural production programmes, there should now be greater emphasis on animal husbandary, dairying and fisheries. It was specially important that over the rest of the plan period such additional resources as might be required should be made available for programmes for the development of agriculture and cooperation. Care should be taken to see that the resources provided for agricultural development were put to the most efficient use. The manpower resources of the village, including those offered by the Village Volunteer Force, should be utilised to the fullest extent. The National Development Council felt confident that if these and other steps outlined by the Planning Commission were implemented at all levels with a sense of urgency, it should be possible in large measure to fulfil the development programmes of the Third Plan and to reach the levels of production envisaged in it.

"The Council also reviewed progress in the implementation of land reforms in different States. On account of legal, administrative and other factors, in some States, the legislation had not been fully enforced. The Council considered that the speedy execution of the programme of land reform was vital for increasing agricultural production and strengthening the rural economy, and called upon all State Governments to complete the implementation of the land reform programmes before the end of the Third Plan.

"The Council observed that the execution of a number of large projects, specially in irrigation and power, was being spread over longer periods than had been postulated in the Third Plan. Every effort should, therefore, be made to speed up the completion of projects likely to yield early benefits.

"The Council noted that small industries and industrial estates generally had suffered for want of scarce raw materials specially since the onset of the emergency, and agreed that special steps should now be taken to increase the supply of raw materials. The Council also observed that while expansion in the field of education and health had taken place generally on lines indicated in the Plan, qualitative aspects needed much greater attention. The key importance of stabilising the growth of population and the need for a considerably enlarged programme of family planning were stressed. The malaria eradication programme has made satisfactory progress and it is now essential to ensure adequate provisions for its continuance and maintenance phase in the annual plans of States. It was further recommended that elementary needs of the people such as supply of drinking water in rural areas and urgent social problems like slums and unsatisfactory living conditions should receive special consideration in carrying out development plans. Moreover, the relatively less developed regions in different States present special problems and call for sustained and integrated development.

"Finally, the National Development Council decided that, in the light of the Planning Commission's appraisal report, State Governments and Central Ministries should take specific measures to improve their machinery for planning, raise the levels of administrative efficiency and strengthen the implementation of development programmes in different sectors."

PARTICIPANTS

PLANNING COMMISSION

Shri Jawaharlal Nehru	.. .. ..	Chairman
Shri C.M. Trivedi	.. .. ..	Deputy Chairman
Shri Gulzarilal Nanda	.. .. ..	Minister of Home Affairs
Shri T.T. Krishnamachari	.. .. ..	Member (Finance)
Sardar Swaran Singh	.. .. ..	Minister of Food & Agriculture
Shri Shriman Narayan	.. .. ..	Member (Agriculture)
Shri T.N. Singh	.. .. ..	Member (Industry)
Prof. M.S. Thacker	.. .. ..	Member (Education)
Shri Tarlok Singh	.. .. ..	Member (A & T)
Prof. V.K.R.V. Rao	.. .. ..	Member (SL & T)
Shri Bali Ram Bhagat	.. .. ..	Minister of Planning

STATES

Andhra Pradesh	.. .. ..	Shri N. Sanjeeva Reddy, Chief Minister.
		Shri K. Brahmananda Reddy, Finance Minister.
Assam	.. .. ..	Shri S.A. Ahmed, Finance Minister.
		Shri K.P. Tripathi, Planning Minister.
Bihar	.. .. ..	Shri Krishna Ballabh Sahay, Chief Minister.
		Shri S.N. Sinha, Agriculture Minister.
		Shri M.P. Sinha, Irrigation Minister.
		Shri A.S. Sinha, State Minister (Finance).

Gujarat	.. .. ..	Shri Balvantray Mehta Chief Minister.
		Shri Maldevji M. Odedara, Deputy Minister, Finance and Planning
Jammu & Kashmir	.. .. ..	Shri Shamas-ud-Din, Prime Minister.
		Shri Dinanath Mahajan, Finance Minister.
		Shri M.N. Kaul, Revenue Minister.
Kerala	.. .. ..	Shri R. Sankar, Chief Minister.
Madhya Pradesh	.. .. ..	Pandit Dwarka Prasad Mishra, Chief Minister.
		Shri M.L. Gangwal, Planning & Development Minister.
		Shri Shambhu Nath Shukla, Finance Minister.
		Shri Arjun Singh, Minister of State for Agriculture.
Madras	.. .. ..	Shri M. Bhaktavatsalam, Chief Minister.
Maharashtra	.. .. ..	Shri M.S. Kannamwar, Chief Minister.
		Shri V.P. Naik, Revenue Minister.
		Shri S.G. Barve, Finance Minister.
Mysore	.. .. ..	Shri S. Nijalingappa, Chief Minister.
		Shri B.D. Jatti, Finance Minister.

Orissa	.. .. ..	Shri Biren Mitra, Chief Minister.
Punjab	.. .. ..	Sardar Partap Singh Kairon, Chief Minister.
		Dr. Gopichand Bhargava, Finance Minister.
		Sardar Darbara Singh, Planning Minister.
Rajasthan	.. .. ..	Shri Mohanlal Sukhadia, Chief Minister.
		Shrimati Kamla Beniwal, Deputy Minister, Planning.
Uttar Pradesh	.. .. ..	Shrimati Sucheta Kripalani, Chief Minister.
West Bengal	.. .. ..	Shri P.C. Sen, Chief Minister.
		Shri Tarun Kanti Ghosh, Commerce & Industry Minister
		Shri Shyamadas Bhattacharyya Land Revenue Minister.

UNION TERRITORIES

Manipur	.. .. ..	Shri M. Koiren Singh, Chief Minister.
		Shri S. Angow Singh, Planning & Development Minister.
Pondicherry	.. .. ..	Shri Eduard Goubert, Chief Minister.
Tripura	.. .. ..	Shri S. Sen Gupta, Development Minister.

UNION MINISTERS

Shri Asoke Kumar Sen	.. .. ..	Minister of Law.
Shri Y.B. Chavan	.. .. ..	Minister of Defence.
Shri C. Subramaniam	.. .. ..	Minister of Steel & Heavy Industries.
Shri Humayun Kabir	.. .. ..	Minister of S.R. & C.A.
Shri H.C. Dasappa	.. .. ..	Minister of Railways.
Shri Mehr Chand Khanna	.. .. ..	Minister of W.H. & R.
Shri Manubhai Shah	.. .. ..	Minister of International Trade.
Shri Nityanand Kanungo	.. .. ..	Minister of Industry.
Shri Raj Bahadur	.. .. ..	Minister of Shipping.
Shri S.K. Dey	.. .. ..	Minister of C.D. & C.
Dr. Sushila Nayar	.. .. ..	Minister of Health.
Shri O.V. Alagesan	.. .. ..	Minister of Mines & Fuel.
Dr. Ram Subhag Singh	.. .. ..	Minister of State in the Ministery of Food & Agriculture.
Dr. K.L. Rao	.. .. ..	Minister of Irrigation & Power.
Shri C.R. Pattabhi Raman	.. .. ..	Deputy Minister of Planning.

SPECIAL INVITEES

Shri P.C. Bhattacharyya	.. .. ..	Governor, Reserve Bank of India
Shri M.R. Sachdev	.. .. ..	Lt. Governor, Goa, Daman & Diu.

TWENTYFIRST MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : OCTOBER 27 AND 28, 1964

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTYFIRST MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON OCTOBER 27 AND 28, 1964, TO CONSIDER THE MEMORANDUM* ON THE FOURTH FIVE YEAR PLAN

AGENDA & SUMMARY RECORD

Welcoming participants to the twentyfirst meeting of the National Development Council, the **Prime Minister** said that this was the first meeting of this Council which would not have the guidance of Shri Jawaharlal Nehru, the late Prime Minister. It was his vision that led to the introduction of planning in India and it was his example and advice that inspired many other developing countries. As long ago as in 1938, soon after popular Governments were formed in the Provinces, a National Planning Committee was set up under Shri Jawaharlal Nehru's Chairmanship and it was again he who decided, as the first Prime Minister of India, to set up the Planning Commission in 1950 and to constitute the National Development Council. He was no longer with us but the objectives which he had set before the country were there to guide us. This was indeed a heavy burden and the Prime Minister sought the cooperation of the Council in order that he may be able to discharge his responsibilities adequately and he suggested that the Council should meet at more frequent intervals say every two or three months until final shape had been given to the Fourth Five Year Plan.

2. Referring briefly to the international situation, the Prime Minister pointed out that the country's strength in relation to outside lay in what her real strength was within. In this background the remaining period of the Third Plan and the period of the Fourth Plan assumed the highest importance.

3. Referring to the draft Memorandum on the Fourth Plan, which had been presented by the Planning Commission to the Council, he said that it must be regarded as essentially a first approximation. Reviewing the progress in the last two Plan periods and in the current Plan period, he said that in the First Plan national income rose by 18%, surpassing the Plan target of 12%. The Second Plan started well but half-way through it ran into serious difficulties regarding foreign exchange and many projects which could not be treated as being in the core of the Plan had to be pruned. Nevertheless, with the additional external assistance which was received, an increase of 21.5% in the national income against the original target of 25% was achieved. Taking the decade covered by the first two Plans as a whole, national income increased by 44%, per capita income by 18.5% and per capita consumption by about 16% despite the fact that population had grown by 21.6 per cent. In regard to the Third Plan, the Mid-Term Appraisal, which was undertaken in 1963, revealed that the progress in the first two years had been very slow indeed. In the third and fourth years of the Plan, progress had been somewhat better but still not good enough. The growth in national income was 2.6 per cent in 1961-62, 2.4% in 1962-63 and a little above 4% in 1963-64 as against the Plan target of more than 5% each year. This sluggishness in growth obviously called for a re-doubling of efforts. Even the shortage and high prices were the result of the slow rate of progress. A realistic and objective study of the achievements and failure in the past and the reasons therefor would provide the right guidance for the policies to be adopted and for the course of action to be taken in the future.

*Published separately.

4. The achievements in the agricultural sector had not been up to the mark. A programme of concrete action to produce immediate results had to be conceived in terms of the resources and facilities which were available and not in terms of what might be done in ideal conditions or in the distant future. Side by side with whatever quantities of fertilisers were available, fullest possible use should be made of compost, manure and other indigenously available sources of nutrition for the soil. Similarly, while major irrigation projects were under construction all that was possible to do in the field of minor irrigation should be done by digging more wells, deepening ponds and utilising more fully the available waters of irrigation projects already completed.

The coordinating role which the District Officer used to play in the past had been lost with the result that the farmer had now to deal separately with representatives of different Government agencies each owing allegiance to a Department or Ministry at the headquarters of the States or Central Government. The Prime Minister suggested that the District Officer, whether he was known as the Collector or the Deputy Commissioner, should be the co-ordinator of all Governmental activities in the district and be responsible for guiding all the efforts undertaken on behalf of Government, Central or State. This might necessitate splitting up the larger districts into more compact administrative units and this task should be faced as one of urgency.

5. Emphasising the need for toning up of administration, the Prime Minister stated that without better administration, control over prices, a more equitable distribution of available supplies and all the other things which were needed to impart stability to the economy would be impossible. Again it was only through better administration that public sector projects could be completed with speed and the private sector too could discharge its responsibilities in the way that it should.

6. Referring to the Memorandum on the Fourth Plan which was before the Council, the Prime Minister stated that the main objective of the Fourth Plan should be to ensure that in spite of unanticipated difficulties in the immediate past the move towards a better life for the common people should maintain its momentum. It was, therefore, necessary to aim at as large a Plan as the country could possibly find the necessary resources for. The programme outlined in the Memorandum envisaged an outlay in the public sector ranging between Rs. 14,500 crores and Rs. 15,500 crores against the estimated resources for the public sector of Rs. 14,500 crores. Even this order of resources was based on certain assumptions.

7. The Prime Minister called upon the Council to apply its mind to the task of resources mobilisation and suggested that it might well like to set up a Sub-Committee to consider this important matter in detail, as also of priorities to be accorded. The Prime Minister was of the view that the prospects of raising additional revenues from the agricultural community would be better if these could be given the orientation and appearance of a betterment levy. Thus, if a new bridge was built and a toll charged for it, the user would understand its logic and would feel he was paying for a service and not being taxed. Of course, the larger agriculturists could be expected to make larger contributions.

8. Shortage of foreign exchange, which had been one of the most serious handicaps to the development ever since 1958 continued to be a major matter of concern for the Fourth Plan. It was, therefore, essential that the export drive should do even better and although it was a subject for which the Centre was responsible, the effort to increase exports depended very considerably on the support and co-operation of the State Governments. Sales tax and other things which were not really meant to affect the export trade were levied in a way which hampered exports and raised their prices. The Prime Minister suggested to State Governments that it would be desirable to have a special Cell in the appropriate Department in the States, which could pay special attention to

exports and give support and cooperation to measures to increase the earnings of foreign exchange.

9. Another matter in which cooperation between States was most essential was in respect of programmes relating to irrigation and flood control. Often steps taken in one State led to serious difficulties in another. For instance, there was the problem of water-logging which had a vital bearing on agricultural production. In recent months vast areas of good agricultural land had been rendered unusable by flood waters which could not be drained out. This was a problem which required to be dealt with on a regional basis and the Prime Minister suggested the establishment of a special body to study this problem and make concrete recommendations.

10. The Prime Minister informed the Council that he had, in consultation with the Deputy Chairman, Planning Commission, decided to constitute a National Planning Council with Deputy Chairman, Planning Commission, as Chairman, and consisting of some fifteen to twenty scientists, engineers, economists and other experts who could help the Planning Commission on a part-time basis. The intention was not to have another advisory body, nor a body which would meet for a day or two at long intervals, but to get people to work on the Plan, spending a week to a fortnight in Delhi at a stretch and giving their best to the national effort.

11. The Prime Minister suggested that in our future planning, there should be a complete, self-contained and fully coordinated plan for industry and another one for agriculture, each closely bringing out the employment aspect, which deserved deeper consideration. On the industrial side the detail of each major project should be worked out and its time-table of implementation should be prepared fully, also indicating what building materials, machinery and raw materials would be needed and when. In the past, the ultimate cost of projects had tended to be tremendously different from the original estimates. Some variations were inevitable, but the kind of differences that had frequently been known in the previous Plans should not be allowed. If the cost estimates of projects and their returns were worked thoroughly and realistically, it would be much easier to keep a watch on progress and performance and to find out if there was any shortfall and on whom the responsibility should be fixed. Such an approach was necessary not only for industry, but also for agriculture. For each such project, it should be known what supplies and facilities were needed and also the estimate of what extra production would result therefrom.

12. Referring to the relative roles of the private sector and the public sector, the Prime Minister stated that socialism being our objective meant an immense growth of the public sector. The private sector would, however, continue to have a role to play in the expanding economy. Failure in either sector affects the Plan and creates imbalances in the economy. It was, therefore, necessary to ensure that the targets allotted to the private sector, no less than those allotted to the public sector, in the Plan were fulfilled. The Industrial Policy Resolution had already brought out that the two sectors could not work in water-tight compartments. In the context of rising prices and the difficulties which the common man faced about basic consumer goods it would be necessary that some of the consumer goods industries were also developed in the public sector. Government might set up textile mills, sugar factories and plants for the manufacture of cement, drugs and medicines so that the shortages which were being experienced in the recent past should not become chronic. Such industries would also give the State better profits and a scope for larger employment. Heavy industries would, of course, continue to be the backbone of economic development. Steel and machinery must be produced in larger quantities. Care had, of course, to be taken to secure the utmost out of the investment which was made in heavy industry in the shortest possible time.

13. Concluding his remarks the Prime Minister said that unless we could stabilise prices,

increase production and improve administration, the most careful Plan would not help. Government had to be responsive to the people and restore to them a sense of dignity and hope. The Prime Minister called upon the National Development Council to undertake the many tasks which confronted them with a truly national approach and give the right lead to the country and the nation.

14. **Shri Asoka Mehta**, Deputy Chairman, Planning Commission stated that the Memorandum, which had been placed before the National Development Council, offered the broad outline of the Fourth Plan. The Fourth Plan was almost double the size of the Third Plan or as large as the first three Plans put together. The Plan had been so conceived that the present needs of the people should be attended to the maximum extent possible. Naturally, the highest attention was being given to agriculture. The total outlay in agriculture, including irrigation, both in public and in private sectors, was over Rs. 4,000 crores. Similarly, adequate provision had been made for expansion of consumer goods. The future of our people ultimately depended upon the kind of services that were offered to them in health, education and housing. The draft Plan provided for a much larger outlay for these essential nation-building activities to help build up the human resources. Even with a Plan of this big size, the objectives that had been set in 1956 either in employment or in raising the level of living or in achieving a self-sustaining growth in economy or even in providing adequately the foodgrains would be difficult to reach by 1975. The Plan that had been put forward was, therefore, the minimum effort required.

15. In the Fourth Plan, investment that would be made available by foreign assistance would be only a little over 1 % of the national income. The gap would have to be filled up by internal resources or internal effort. The size of Fourth Plan as indicated in the Memorandum was a little over twice that of the Third Plan but the foreign assistance or exchange component of it had been kept where it was in the Third Plan, with the result that the resources to be mobilized by our own people would have to be larger than in the Third Plan. The resources in sight were anything between Rs. 10,500 crores and Rs. 11,500 crores as against an outlay of Rs. 14,500 to Rs. 15,500 crores which had been proposed in the public sector. There was still a gap of anything between Rs. 2,500 to 3,000 crores if the lower level investment was accepted and Rs. 1,000 crores more if upper level investment was taken into account and it would require a larger effort to fill up this gap. Dy. Chairman was confident that with the dynamism of our people to move fast it should be possible to generate the required resources as well as to mobilise them. He also made it clear that in the Fourth Plan there would be no deficit financing. Care would also be taken to see that both in drawing up and in implementation inflationary potential was not released. In drawing up of the Plan, efforts would be made to see that the needs and requirements of the people were being looked after. The various Committees which were being formed would look into the different sectors and prepare a more detailed and thoroughly worked out Plan that will take into account various social objectives.

16. Deputy Chairman suggested that non-Plan expenditure should not be allowed to go up by more than 3½% per year and the general administrative expenditure by more than 5%. He stressed the need for increasing the earnings from public enterprises as well as better collection and identification of new sources of revenues. The Committee of the National Development Council on Resources, which was proposed to be set up, would go into this fully. He, however, requested the Chief Ministers to take the opportunity of the next budget to raise some more resources because whatever was raised now would help the Fourth Plan. Any postponement of action to raise additional resources would slow down implementation of the Plan in early years and require a much larger amount to be raised later. Deputy Chairman drew special attention of Chief Ministers to the note on Concluding Observations to the Memorandum that had been circulated separately. These concluding observations were of great importance. It had been suggested in these observations that the public

sector would have to be extended both in internal and external trade and that the State would have to participate in the consumer goods industry. The Fourth Plan, with its objectives of developing the backward areas and supporting and helping the backward people to move forward, of reducing the social inequalities and disparities, and of State entering the field of consumer goods industries, would require the administration to shoulder much greater responsibility. In order that essential civil supplies were provided at proper and reasonable prices, the Planning Commission had suggested and it had been agreed by Government that there should be considerable expansion in consumers cooperative movement. The task of both galvanising the economy and altering the social structure to our needs were the two things which had to be attempted simultaneously if the objectives that had been set were to be fulfilled.

17. The Union Finance Minister, **Shri T. T. Krishnamachari** stated that the resources position had been the determinant in regard to the size of the Plan. Efforts had been made to stretch the resources position as far as possible. If the objectives that had been outlined in the last session of the Indian National Congress were to be reached before 1975, it was necessary that the growth potential should be somewhere between 6 and 7 per cent. In order to achieve that amount of growth the resources position for the Fourth Plan had been put at Rs. 19,000 crores of investment plus Rs. 2,500 crores for current outlay with the proviso that if some of the schemes which would be undertaken in the early years of the Fourth Plan or by way of advance action in the remaining period of the Third Plan could make it possible for the economy to generate additional resources it may be possible to add another Rs. 1,000 crores to the resources, making the total outlay on the Fourth Plan Rs. 22,500 crores. There were a number of imponderables in making these estimates of resources. The small savings which had been estimated at a much higher level than in the past must be generated. The increase in the collection of taxes by the Central Government and the State Governments must have a progression. The foreign loan that was expected by way of help in regard to foreign exchange, as also addition to the resources, must be found and the burden of repayment of Rs. 1,200 crores by way of principal and interest to foreign countries must also be provided for. And over and above all these imponderables Rs. 3,000 crores of additional resources will have to be mobilized to make up Rs. 19,000 crores of investment. The Finance Minister sought the help and cooperation of the State Chief Ministers in the difficult task of stepping up of resources not only for the Plan but also to meet the non-Plan expenditure, which was often due to unforeseen circumstances, like floods, famine, refugee problem, etc.

18. Referring to the question of central contribution to the State finance, the Finance Minister stated that in the First Plan the Central contribution to States' plan effort was about 40 per cent and in the Second Plan it was half and half. In the Third Plan it varied from 50 to 80 per cent according to the State and sometimes it was a little more because States which promised to raise resources could not do so for various reasons. The Finance Minister suggested that in the Fourth Plan the Centre might take up some specific areas of responsibility. The Centre could not operate in the States' spheres, but specific responsibility in regard to some major items like power, some hydro-electric schemes and, may be even some industrial ventures or transport, may be taken up by the Centre, as otherwise the States' liability for repayment of Central loan with interest, which was already very large, would go on increasing. Arrangements for management, amortization, etc., of these projects would need to be worked out in detail by the Planning Commission and the Ministry of Finance.

19. The Finance Minister suggested that it would be useful if the Planning Commission could also sometime meet the State Cabinet and their officials at the State Headquarters and discuss their problems with them there. On his part, he would be occasionally going on week-ends to

different States to discuss with the State Ministers and their officials.

20. The Prime Minister suggested that the following items on the agenda might be taken up together:

(1) Objectives and strategy for the Fourth Plan.

(2) Size, priorities, pattern of investment and resources for the Fourth Plan.

(3) Administration and Plan implementation.

The item relating to 'Intensification of agricultural production' could be taken up later.

21. The Chief Minister, Maharashtra, **Shri V. P. Naik** stated that in regard to the size of the Plan he would leave it to the Prime Minister to decide. Commenting on the sectoral allocations, he stated that while substantial increase had been made in agriculture and social services, the outlays proposed for power, major irrigation and transport had not been stepped up proportionately. For agricultural production not only adequate supplies should be ensured but also the prices of fertilisers, pesticides, agricultural machinery, etc., should be reduced. In his view the idea of 12 per cent rate of return for public sector enterprises should not apply to enterprises engaged in supplying essential materials and services needed for agriculture. Adequate supplies of cement should be assured for programmes of well construction and minor irrigation. It was also necessary to reduce the rates of interest charged by the Finance Corporation and by the cooperative financing agencies. The Chief Minister was happy that the Central Government had fixed support prices for agricultural production and this had created some confidence amongst the agriculturists in the country. The provision made for major, medium and minor irrigations was, in his opinion, inadequate. He did not agree with the suggestion for a rate of return of 10 per cent in electricity undertakings. Referring to the agro-industries, he stated that whatever was grown best in a particular area should be grown there, and to encourage its production the processing industries should be set up there. In view of the keen demand for roads in his State, particularly in Adivasi areas, he stated that the allocation on road would need to be stepped up in Maharashtra. He also expressed himself against the proposal for setting up a Central Housing Board as in his view such an activity should be entrusted to the State Government to avoid more expenses and to ensure direct control over construction.

22. The Chief Minister, Gujarat, **Shri Balvantray Mehta** stated that the idea which was first mooted in the last meeting of the National Development Council regarding taking over of some of the bigger projects in irrigation and power by the Central Government for the purpose of financing and completing them as early as possible seemed to have been accepted in the Memorandum. He hoped that the idea would be extended to other areas where the investment was going to be very large and gestation time prolonged. Certain States were backward in certain sectors or had backward areas and it should be the policy of the Plan to bring those States in line with other States in those sectors so that within a measurable period of time backwardness was removed,

The Chief Minister urged that drinking water facilities should be provided to every village by the end of the Fourth Plan. He also emphasised the necessity of providing village approach roads to the rural areas and of giving priority to rural electrification programme. Advance action for the Fourth Plan schemes should be taken immediately to the extent possible by provision of some resources in the current Plan. He also suggested a small lump-sum allotment of foreign exchange to States so that schemes which were otherwise nearing completion did not get held up for want of some component.

23. The Prime Minister, Jammu & Kashmir, **Shri G. M. Sadiq** stated that so far as the question of

size of the Fourth Plan was concerned, he would leave it to the judgment of the Prime Minister. He suggested that in fixing allocations in the sphere of power, transport and industry, States like Jammu & Kashmir which were lagging behind should receive special treatment. He pointed out that no major central scheme, like a fertiliser plant or an Institute of Technology or a drugs factory, had so far been set up in the Jammu & Kashmir State.

The Prime Minister of Jammu & Kashmir also referred to tourism and pointed out that it was an important industry in the State and it was necessary to make substantial additions to the amenities which they were providing to the tourists. It was also necessary to effect improvements and provide facilities quickly.

24. The Chief Minister, Madras, **Shri M. Bhaktavatsalam** stated that considering our needs the size proposed for the Fourth Plan could not be considered too large and a rate of growth of 5 per cent per annum in agriculture was an inescapable minimum. While minor irrigation projects were no doubt very important, the scope for increasing agricultural production through minor irrigation was limited, and as such alongside minor irrigation, major irrigation projects and other projects had also to be taken up. The provision made for power, industry and transport was, in his view, not adequate and needed to be increased. While social services like Health and Education were important they should not be expanded at the cost of industry, power and transport. Backwardness in communications was to some extent responsible for the holding up of Plan progress. The Chief Minister, therefore, suggested rephasing of the social services programme to enable more attention being given to projects relating to industry, transport and power. Without adequate power being available, it would be difficult to do justice even to agricultural production. If shortage of foreign exchange stood in the way of stepping up allocation in the field of power, efforts should be made with internal resources. The Chief Minister welcomed the suggestion that some of the bigger projects would be taken over by the Centre.

25. Referring to the pattern of Central assistance for financing the State plans, the Chief Minister stated that the dependence of the States on the Centre was becoming more pronounced. With each successive Plan, the share of Central assistance if left unchecked was bound to highlight the dependence of the States on the Centre and reduce them to be the agencies of the Centre for the implementation of plans in a limited field. Even assuming that the Finance Commission would provide adequate resources for States for committed expenditure, the contribution of the States towards the resources for the fulfilment of the Plan would not be appreciable and the quantum of Central assistance for the Fourth Plan might have to be 80 per cent or more. It was, therefore, time to make some radical rethinking in respect of the roles of the Centre and the States in financing of the Plan. A large portion of the loan assistance of the Centre for financing the State plan was now utilised for discharging debt obligations to the Centre. He suggested that if the loan due to the States was consolidated and the repayment fixed over a long period, the amount falling due in the next plan period would be reduced and, therefore, fresh loan assistance could also be reduced. Loan assistance from the Centre could also be more easily tied to a few major power projects. The Chief Minister suggested that at a suitable opportunity there should be exchange of views between the Planning Commission and the Finance Commission and State-Centre relations in the matter of financing should be considered dispassionately. With greater freedom and flexibility in fulfilling the plans and less dependence on the Centre, the States would be expected to play a vigorous role in mobilising the resources for the Plan.

26. The Chief Minister, Rajasthan, **Shri Mohan Lal Sukhadia** stated that in a national plan the disparities existing between different States and the regional imbalances should be removed.

Referring to the resources position of the States, the Chief Minister said that the public sector in the States had not developed except in the field of electricity and their major source of income was by way of taxation, like sales tax and excise duty. It was difficult to raise more resources from this source. He suggested that it would be useful if a picture showing the capacity of each State and whether it was doing its best to raise the resources to its capacity could be presented to the National Development Council. What minimum level each State should attain in different sectors within the Plan period should be decided and it should not be linked up with the resources of that particular State. From the point of view of tax evasion and the harassment which is involved in its collection, it would be worthwhile examining whether it would not be better if, instead of sales tax, excise duty was levied on some of the commodities. The Chief Minister suggested that certain types of consumer goods industries should be included in the States' sector so that they might help the State Governments to raise additional finances from a source other than taxing people.

27. The Chief Minister stated that problems like desert and soil erosion could not be solved by a single State and should be taken up on an all-India basis. Similarly flood control schemes should be planned on a regional basis so that flood control measures taken by one State Government might not adversely affect the adjoining State by flooding its good agricultural land. It would be useful to establish a special body to study this problem and make concrete recommendations. With a view to holding the price line, he suggested that not only foodgrains and sugar but also other essential commodities should be made available through consumers cooperative stores, particularly to the vulnerable sections, such as Government employees, factory employees, etc. The Chief Minister stressed that drinking water facilities should be provided to every village by the end of the Fourth Plan. Emphasising the need for simplifying procedures, he stated that under the existing procedure various schemes, like irrigation projects, piped water supply, educational schemes, had to be referred to the Central Ministries for approval before these could be undertaken by the States. Such schemes should, he suggested, be left to the State Governments who should be authorised to undertake them subject to the availability of funds.

28. The Chief Minister, Orissa, **Shri Biren Mitra** stated that the allocation for different States should be made taking into consideration the stage of development or backwardness of different regions of each State; otherwise the disparities between different States would go on increasing. A special allocation should be made for rapid development of backward areas in different States. On the question of finances, he stated that whatever finances could be raised through taxation had been raised, but if the Union Finance Minister could indicate any new reasonable avenues of taxation, he would be quite willing to impose it. In order to encourage raising of public loan, he thought it was necessary to consider increasing the bank rate of interest. Referring to the sectoral allocations, he stated that the allocation proposed for industries in the States' sector was too small—only Rs. 135 crores out of Rs. 3200 crores provided in the public sector. This required to be increased.

29. Referring to the objectives of the Fourth Plan as indicated in the draft Memorandum, the Chief Minister, U.P., **Shrimati Sucheta Kripalani** stated that while prescribing the level of development for the whole country it was necessary to indicate the minimum benefits which would become available to, or the progress that would be achieved by, different regions particularly those regions which were lagging behind. The Fourth Plan should also make an effort to ensure even distribution of employment opportunities in the various parts of the country. This, she stated, could be achieved by distributing the industries—both large scale consumer industries as well as heavy industries—on a proper basis. Coming to the outlays and priorities, the Chief Minister observed that in the Fourth Plan, the Centre had reserved a much larger share in the sector coming within the domain of the State Plan. The expansion of Centrally sponsored schemes would, she thought,

create difficulties for the State Governments. Compared to the Third Plan, the percentage of allocation in irrigation, power and transport in the Fourth Plan had been reduced and as against this the allocation for social services had been stepped up. She was of the view that in an economically backward State, like Uttar Pradesh, priority should be given to sectors and projects which were productive and raised the income standard of the people. The social services could wait for some time and a larger allocation should be made for technical education and vocational training. The rate of return of 12% suggested for public sector undertakings and the suggestion that these undertakings could charge higher prices would cause a rise in prices of essential commodities. She was of the view that the idea of 12% profit for public sector enterprises should not apply to those producing essential materials needed for agriculture.

30. Coming to the question of resources, the Chief Minister stated that the avenues open to the States under the Constitution were limited whereas the responsibilities of the States were expanding with the implementation of each Plan. Time had come for a review of the existing avenues of raising resources by the States and local authorities and it would be desirable to evolve an all-India pattern and a Committee might be set up for this purpose. The question of setting up a Taxation Enquiry Commission might also, she suggested, be considered. In order to help mobilisation of resources from the private sector, the small savings scheme should be made more attractive. Open market borrowings by the States, particularly the industrially under-developed States, were becoming increasingly difficult. The question of making the entire public borrowings through the Centre might be considered. The Chief Minister agreed with the views expressed by some of the other Chief Ministers that during the Fourth Plan it would be necessary to increase the quantum of Central assistance and urged that a larger proportion of this should come in the form of grants. She also Suggested that with a view to simplifying procedure the restriction on diversion of grant from one head to another should be limited to only certain top priority items and in the case of others the discretion should be left with the State Governments. In view of the importance of power for the development of industry and agriculture, and as Uttar Pradesh had lagged behind other States in power generation, she asked for a larger share in the total outlay under this sector. In order to encourage the setting up of industries in backward areas, she advocated a more liberal policy in giving licences to new entrepreneurs in less developed areas.

31. The Chief Minister, West Bengal, **Shri P. C. Sen** expressed general agreement with the objectives and size of the Fourth Plan. He was extremely doubtful whether the industrial projects in the public sector could give a 12 per cent rate of return as had been indicated in the Memorandum. The Chief Minister stated that Calcutta, though a part of West Bengal, had special problems and in view of its all-India importance its development should be considered by the Centre outside the State Plan. On the question of priorities, he was of the view that leaving agriculture, which should no doubt receive the topmost priority, it should be left to the State Governments to decide what priorities they should give to different sectors to fit in with their own needs.

32. The Finance Minister, Madhya Pradesh, **Pandit Shambhunath Shukla** agreeing with the basic objectives of the Fourth Plan, stated that agriculture production had been rightly given a very high priority. Since the irrigated area in Madhya Pradesh was very small the possibilities for the use of fertilisers and green manures were very limited and hence the State had to concentrate much more on minor irrigation and soil conservation. As such, States like Madhya Pradesh should, he suggested, be allowed to divert funds from agriculture production to minor irrigation and soil conservation, if necessary. He also suggested that allocation for major and minor irrigation, power and road transport should be increased and a separate provision made for lift irrigation. On the pattern of Central assistance, he stated that States should be permitted to make adjustments not

only under loan but also under grants except when assistance was earmarked for a specific sector, and the quantum of Central assistance would have to be stepped up considerably. In regard to the proposal for financing of large irrigation and power projects by the Centre, its implications needed to be carefully examined and worked out. The Finance Minister also stated that a large number of village roads had been constructed by local contribution in the form of manual labour or cash but getting the local people to maintain them was difficult and unless some provision was made in the Plan for the maintenance of these roads the money spent in building them would go waste. In order to develop backward areas, special incentives would be required to be given to attract industry to these areas. This would include cheap power, land, institutional credit and subsidy. In regard to the priorities for the Fourth Plan, he was of the view that after agricultural production and family planning, which should be given the highest priority, should come irrigation and power, technical education and drinking water supply. Provision of drinking water facilities in every village deserved to be given top priority in the Fourth Plan.

33. The Chief Minister, Mysore, **Shri S. Nijalingappa** suggested that mills and factories for the production of essential commodities like sugar and cement, which were in short supply, should be allowed to be established or expanded freely where necessary raw material was available. In order that the common man should be able to feel the impact of the Five Year Plan, it was necessary to provide in the Plan, as one of its objectives, such basic needs as drinking water supply, approach road and a school for every village. The Chief Minister welcomed the suggestion for financing of large irrigation and power projects by the Centre and suggested that projects costing more than Rs. 10 crores should be so financed by the Centre. He also suggested that the recoveries by the Centre of its loan with interest should start only after a year of the completion of the project as it was only then that the projects begin giving return.

34. The Chief Minister, Assam, **Shri B. P. Chaliha** pointed out that private investors were hesitant to invest in border States like Assam and to that extent it would be necessary to increase the share of public sector investment in such States in the field of industry. Commenting on the sectoral allocations, he suggested increase in the allocation for flood control, power and transport. In view of the amount of loss and misery that people and agriculture suffered by floods, it was necessary that flood control should receive a very high priority and the bigger schemes should be taken over by the Centre as it was beyond the means of the State Governments, financially and technically, to tackle such problems. Assam was already behind in power generation and its per capita power consumption was also very low. The lower percentage increase for power should not, therefore, the Chief Minister stated, be at the cost of States like Assam. He drew particular attention to three matters in which satisfactory progress had not been made. These were agricultural production, land reform and protection of peasants from money lenders, and the main reason was that the actual tillers were not organised and could not make their voice felt. The Chief Minister suggested that the Planning Commission might consider this matter.

35. Before adjourning the meeting for the next day, the Council decided, at the suggestion of the Prime Minister, to constitute five Committees on (1) Resources (2) Agriculture and Irrigation, (3) Industry, Power and Transport, (4) Social Services and (5) Development of Hill Areas. These Committees of the National Development Council would go into and advise on policy issues relating to programmes in the respective sectors for the Fourth Plan. On the basis of suggestions made by the Chief Ministers, the composition of these Committees was made as follows:

Committee on Resources

1. Shrimati Sucheta Kripalani, Chief Minister, Uttar Pradesh.
2. Shri M. Bhaktavatsalam, Chief Minister, Madras.
3. Shri P. C. Sen, Chief Minister, West Bengal.
4. Shri Mohan Lal Sukhadia, Chief Minister, Rajasthan.
5. Shri Fakhruddin Ali Ahmed, Finance Minister, Assam.
6. Shri S. K. Wankhede, Finance Minister, Maharashtra.

Committee on Agriculture and Irrigation

1. Shri V. P. Naik, Chief Minister, Maharashtra.
2. Shri G. Narayana Gowda, Agriculture Minister, Mysore.
3. Shri Darbara Singh, Home & Development Minister, Punjab.
4. Shri Satyendra Narain Sinha, Agriculture Minister, Bihar.
5. Shri Arjun Singh, Agriculture Minister, Madhya Pradesh.
6. Shri A. Balarami Reddy, Agriculture Minister, Andhra Pradesh.
7. Shri S. P. Mohanty, Agriculture Minister, Orissa.

Committee on Industry, Power & Transport

1. Shri D. P. Mishra, Chief Minister, Madhya Pradesh.
2. Shri Balvantray Mehta, Chief Minister, Gujarat.
3. Shri Ram Kishan, Chief Minister, Punjab.
4. Shri G. M. Sadiq, Prime Minister, Jammu & Kashmir.
5. Shri K. Brahmananda Reddy, Chief Minister, Andhra Pradesh.
6. Shri Biren Mitra, Chief Minister, Orissa.
7. Shri R. Venkataraman, Industries Minister, Madras.
8. Shri S. G. Barve, Industries & Electricity Minister, Maharashtra.
9. Shri Veerendra Patil, Public Works Minister, Mysore.
10. Shri K. P. Tripathi, Planning Minister, Assam.
11. Shri Saila Kumar Mukherjee, Finance Minister, West Bengal.
12. Shri Girdhari Lal, Irrigation & Power Minister, Uttar Pradesh.
13. Shri M. P. Sinha, Irrigation & Power Minister, Bihar.

Committee on Social Services

1. Shri M. Bhaktavatsalam, Chief Minister, Madras.
2. Shri G. M. Sadiq, Prime Minister, Jammu & Kashmir.
3. Shri Mathuradas Mathur, Planning Minister, Rajasthan.
4. Shri Rabindra Lal Sinha, Education Minister, West Bengal.
5. Shri Hitendrabhai K. Desai, Home Minister, Gujarat.
6. Shrimati Yashodhara Dasappa, Social Welfare Minister, Mysore.
7. Shri Satyendra Narain Sinha, Agriculture Minister, Bihar.
8. Dr. M. Chenna Reddy, Finance Minister, Andhra Pradesh.

Committee on Development of Hill Areas

1. Shri P. Shilu Ao, Chief Minister, Nagaland.
2. Dr. Y. S. Parmar, Chief Minister, Himachal Pradesh.
3. Shri Koireng Singh, Chief Minister, Manipur.
4. Shri S. L. Singh, Chief Minister, Tripura.
5. Shri G. L. Dogra, Finance Minister, Jammu & Kashmir.

The National Development Council resumed discussion on October 28, 1964.

36. The Chief Minister, Andhra Pradesh, **Shri K. Brahmananda Reddy** stated that in order to highlight the importance of family planning the question of including it as one of the objectives of the Fourth Plan, as also self-sufficiency in food production by the end of the Fourth Plan, might be considered. He was doubtful whether the price level of 1963-64 would continue to be maintained during the Fourth Plan period and also whether domestic savings would rise from 13 to 18-19 per cent and tax receipts by 8 per cent particularly in the States sector, as assumed in the draft Memorandum. In order to help speedy implementation of the Plan programmes, he suggested greater delegation of powers and authority to the States so that it should not be necessary for the State Governments and their officers to come to the Centre for every sanction, which only caused delay in execution and resulted in waste of time and expenditure. He also suggested that in view of the long gestation period of some of the larger projects, the recovery of Central loan and interest thereon should be deferred till these projects actually begin to yield return. With regard to resource mobilisation, he stated that some of the States like Andhra Pradesh had done the maximum they could in the matter of taxation and it seemed difficult to tax further. Referring to the conditions in the rural areas, he strongly recommended the acceptance of the Santhanam Committee’s recommendations and the setting apart of a sum of Rs. 240 crores for the rural areas. It was necessary to give some financial assistance to the villagers so as to create the necessary enthusiasm in them for the Plan and thus get their cooperation in its implementation. The Chief Minister drew special attention to the problem of famine-affected areas and urged special allocation of funds by the Centre for dealing with it.

37. The Chief Minister, Bihar, **Shri Krishna Ballabh Sahay** emphasised the need for stepping up agricultural production as that was the main and critical problem for the country today. Referring to the package programme, he stated that it was not necessary to concentrate only in one district in which there were arrangements for irrigation but to extend it to other areas where it was possible to have extensive cultivation. He also advocated a change in the food habits so that people who were non-vegetarian should consume more of meat and less of cereals, and for this purpose development of poultry, piggery and fishery should be encouraged. The Chief Minister stated that the scheme of Rural Industries Projects should be developed and extended. In his view the allocation proposed for Rural Works Programme was inadequate and needed to be increased in order that this programne should be able to absorb a portion of the large number of unemployed or under-employed persons. The provision for roads made in the Memorandum was also, in his view, insufficient and needed to be increased in order to provide for a network of roads in the border States.

38. The Chief Minister, Punjab, **Shri Ram Kishan** referred to the problem of floods and water-logging in the Punjab, Rajasthan and U.P. and said that due to lack of coordinated measures all the three States had suffered. He pointed out that this needed to be tackled as a national rather than as a State problem. He welcomed the Prime Minister's suggestion for setting up a high powered Board for regional coordination. Referring to the general rise in prices, the Chief Minister suggested the adoption of a pattern on controls and subsidies which would provide essential items, such as food, clothing and shelter to the common man at reasonable prices. He asked for allocation of adequate funds for the provision of pure drinking water supply to the villagers. He also drew attention to the debt burden of the States and desired that the Centre should come forward with larger financial assistance for the development projects.

39. The Governor of Kerala, **Shri V. V. Giri** expressed general agreement with the Memorandum and basic objectives outlined therein. Though there had been a substantial advance in education in Kerala, the development in the field of industry and agriculture had been insufficient. He wanted the Centre to give liberal financial assistance to his State to enable it to tap its power potential which was very considerable. The Governor supported the suggestion made by the Chief Minister of U.P. regarding the setting up of a Taxation Enquiry Commission and also welcomed the suggestion of the Prime Minister for the setting up of a Committee to go into the problem of raising resources. He suggested that advance action for the Fourth Plan should be restricted to strategic sectors, like agriculture, industry, power and technical training.

40. The Chief Minister, Himachal Pradesh, **Dr. Y. S. Parmar** said that some of the States like Himachal Pradesh had lagged behind in the matter of power generation and the Centre should assist in tapping the potential. He agreed with the Chief Minister of Bihar that people should change their food habits and the non-vegetarians should at least reduce the consumption of cereals. He stressed the necessity of giving importance to schemes of afforestation for hilly areas as this would bring good income to the State. He drew attention to the involved procedure for getting sanctions from the Centre for schemes and suggested that there should be more of decentralisation.

41. The Chief Minister, Tripura, **Shri S. L. Singh** stated that the first and foremost need of his State was railway communication. This problem had assumed very grave proportions because of the increase in the population due to influx of refugees from East Pakistan. He also stressed the need for the development of power, irrigation, communications and flood control measures in his State.

42. The Development Minister, Manipur, **Shri Angou Singh** wanted development of adequate

transport system in his State as the territory was mostly hilly and there was no railway line.

43. Speaking on the administrative aspect, the Union Home Minister, **Shri Gulzarilal Nanda** said that administration was a crucial factor for the success of planned development. A minimum of one per cent could be added to the rate of growth by improved administration alone without additional financial resources. He laid great emphasis on closer supervision of schemes taken up for execution and on the importance of coordination at all levels. In all these things, the quality of personnel was important. At present the administration at the top had to carry a disproportionately larger burden of responsibility for decision making. Administration at the middle level should be encouraged to take up a greater share of responsibility in this respect. At the same time responsibility for good and bad performance should be fixed and appropriate recognition or punishment should be awarded.

44. The Council then took up the item relating to agricultural production for a brief discussion. The need for increasing the supply of chemical fertilisers, whether by indigenous production or by import, was stressed. Even in some of the dry farming areas in Mysore the use of chemical fertiliser had shown good result. Special emphasis was laid on plant protection measures and it was suggested that Centre might consider making a special allocation for providing this facility to the farmers free of charge. It was also suggested that factories for the production of power tillers and small tractors should be set up in each State. Shortage of cement was proving a great handicap in agricultural production and to make up this shortage either new cement factories should be set up or the production in the existing ones should be stepped up. In order to enable agriculturists to get immediate and long term loans, co-operative movement needed to be strengthened in those States where it had not sufficiently developed. It was also suggested that the question of giving interest-free loans to agriculturists for construction of wells might be considered. Emphasis was also laid on extending rural electrification and on programmes of minor irrigation.

45. Replying to the main points made by some of the Chief Ministers regarding agricultural production, **Shri Shriman Narayan**, Member, Planning Commission stated that the targets suggested in the draft Memorandum were tentative. The Planning Commission would be undertaking a series of discussions with the State Governments and the final targets would be worked out thereafter. Referring to the allocation made for minor irrigation, he said that this did not take into account funds provided under the budget of the C. D. Blocks and the co-operative sector. From a survey conducted recently by the Programme Evaluation Organisation, it was discovered that 30-40 per cent of the funds which were advanced for minor irrigation were used for other purposes and about 1/3rd of the wells already dug had gone dry. There was also a limit to the area that could be brought under minor-irrigation. As regards cement, in view of the short supply the State Government should consider reserving a certain percentage for essential agricultural purposes out of the quota allotted to each State. About plant protection, it had been agreed that the State should provide free service to the agriculturists as in the case of an epidemic outbreak, but there were some legal difficulties in certain States, such as the necessity of having to obtain the prior consent of the agriculturist before taking any action. He requested the Chief Ministers to see that the necessary legislation was undertaken to remove this difficulty. Regarding funds provided for cooperation, he suggested that a scheme had recently been worked out which would make it possible to provide large funds for short-term and long-term requirements.

46. The Union Minister of Food and Agriculture, **Shri C. Subramaniam** said that the country could certainly achieve an annual rate of growth of 5 per cent in the agricultural sector in the Fourth Plan by adopting new scientific approach and new techniques of production. In fact, considering the low level of production it should be possible to achieve even a higher rate of growth. He laid

particular stress on the need for production of better seeds and their distribution to all cultivators in the country, making sufficient chemical fertilisers available for raising production and undertaking on a countrywide scale prophylactic, curative and preventive measures for plant protection. The utilisation of irrigation had also to be agriculture-oriented and soil survey had to be undertaken on an extensive scale. In addition, it was necessary, he said, to diversify agricultural production.

47. Summing up the discussions, the **Prime Minister** observed that there was a feeling in the country that Government did not always act upon what it said. Time had come for action to be taken to demonstrate to the people that power would be exercised for their benefit. In order to achieve success, it was essential for Government to assume sufficient powers to deal with those who acted against the interests of the people and the instructions of the Government. An ordinance was proposed to be promulgated to deal with those who indulged in profiteering. In the matter of procurement and distribution, Government must do its utmost to achieve success. He thought that there was no way out except to go in for controls and rationing at least in the bigger cities.

48. The Prime Minister stressed that agriculture must assume the highest priority and importance at the present moment. In terms of priority, food naturally came first. To increase production of food, fertilisers were no doubt very important and apart from the local production Government was already spending Rs. 36 crores on import, but this was not sufficient and a substantially larger amount would be needed for additional import. While Government would certainly do all it possibly can, this would apart from the difficulty of foreign exchange require considerable waiting for import and then would come the question of distribution and prices. What was more important to meet the immediate need was to make the maximum possible use of compost and green manure. The Prime Minister said that he would like the old Swadeshi spirit of self-help to be revived. This meant that while the modern scientific approach should be accepted, there should be something more added to it. Thus while big dams and irrigation canals should undoubtedly be constructed but as these took time, ponds, tanks and wells should be improved as an immediate necessity. Referring to the Social Services sector he said that qualitative aspects of existing services in the field of education and health, rather than expansion and addition to numbers, should receive greater attention. He referred to the neglect of the idigenous system of medicine and said that while modern medicine should be developed the Ayurvedic Vaidya or a Hakim or a Homoeopath could serve very well in the villages.

49. So far as employment was concerned, the position was difficult. There would be a back-log at the start of the Fourth Plan and also when the Fourth Plan would end and as such there was need to pay special attention to this problem in order to find a solution. It was for this reason that industries were of the highest importance. Other avenues of employment, whether it was work in rural areas, village industries, or industries which would yield supplementary income, had to be thought of. For creating employment, heavy, medium and village industries were all equally important.

50. Referring to the State Plans, the Prime Minister suggested that broadly speaking, the plans of States for the period of the Fourth Plan should be formulated so that the outlays proposed in each State did not exceed twice the outlays in the Third Plan. Food, he said, should receive the top priority and industry should come next. Of course, conditions would differ from State to State.

51. The Prime Minister called for complete understanding between the States and the Centre and appealed for complete unity and integration. The National Development Council was the highest body and the most important problems of the country were considered by it. He was confident that if the Council could give the proper lead, the country would come out successful in spite of obstacles.

PARTICIPANTS

PLANNING COMMISSION

Shri Lal Bahadur Shastri	.. .. ..	Chairman
Shri Asoka Mehta	.. .. ..	Deputy Chairman
Shri Gulzarilal Nanda	.. .. ..	Minister of Home Affairs
Shri T.T. Krishnamachari	.. .. ..	Minister of Finance
Sardar Swaran Singh	.. .. ..	Minister of External Affairs
Shri C. Subramaniam	.. .. ..	Minister of Food & Agriculture
Shri Shriman Narayan	.. .. ..	Member (Agriculture)
Shri T.N. Singh	.. .. ..	Member (Industry)
Prof. P.C. Mahalanobis	.. .. ..	Member (PP)
Prof. M.S. Thacker	.. .. ..	Member (NR)
Shri Tarlok Singh	.. .. ..	Member (A & T)
Prof. V.K.R.V. Rao	.. .. ..	Member (ES & IT)
Shri Bali Ram Bhagat	.. .. ..	Minister of Planning.

STATES

Andhra Pradesh	.. .. ..	Shri K. Brahmananda Reddy, Chief Minister
Assam	.. .. ..	Shri B.P. Chaliha, Chief Minister
		Shri Fakhruddin Ali Ahmed, Finance Minister
		Shri K.P. Tripathi, Planning Minister
		Shri Moinul Haque Choudhury, Agriculture Minister
Bihar	.. .. ..	Shri Krishna Ballabh Sahay, Chief Minister

		Shri S.N. Sinha, Agriculture Minister
		Shri M.P. Sinha, Irrigation Minister
		Shri R.L. Singh Yadav, P.W.D. Minister
		Shri Dev Saran Singh, Chairman State Planning Board
		Shri Ambika Saran Singh, State Minister (Finance)
Gujarat	.. .. ..	Shri Balvantray Mehta, Chief Minister
		Shri Maldevji M. Odedra, Dy. Minister (Planning)
Jammu and Kashmir	.. .. ..	Shri G.M. Sadiq, Prime Minister
Kerala	.. .. ..	Shri V.V. Giri, Governor
Madhya Pradesh	.. .. ..	Pandit Shambhu Nath Shukla, Finance Minister
		Shri Mishri Lal Gangwal, Planning Minister
		Shri Gautam Sharma, Food Minister
		Shri Arjun Singh State Minister (Agriculture)
Madras	.. .. ..	Shri M. Bhaktavatsalam, Chief Minister
		Shri R. Venkataraman, Industries Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister

		Shri S.K. Wankhede, Finance Minister
		Shri Homi J. Taleyarkhan, Food Minister
		Shri G.D. Patil, Dy. Minister (Planning)
Mysore	.. .. ..	Shri S. Nijalingappa, Chief Minister
Nagaland	.. .. ..	Shri P. Shilu Ao, Chief Minister
Orissa	.. .. ..	Shri Biren Mitra, Chief Minister
		Shri Nilamoni Routray, Home Minister
		Shri Satyapriya Mohanty, Agriculture Minister
Punjab	.. .. ..	Shri Ram Kishan, Chief Minister
		Shri Darbara Singh, Home Minister
		Shri Kapoor Singh, Finance Minister
Rajasthan	.. .. ..	Shri Mohanlal Sukhadia, Chief Minister
		Shri Mathura Das Mathur, Planning Minister
Uttar Pradesh	.. .. ..	Smt. Sucheta Kripalani, Chief Minister
West Bengal	.. .. ..	Shri P.C. Sen, Chief Minister
		Shri S.K. Mukherjee, Finance Minister

UNION TERRITORIES

Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister
Manipur	.. .. ..	Shri S. Angou Singh, Development Minister
Pondicherry	.. .. ..	Shri V. Venkatasubba Reddiar, Chief Minister
Tripura	.. .. ..	Shri S.L. Singh, Chief Minister

UNION MINISTERS

Shri. S.K. Patil	.. .. ..	Minister of Railways
Shri Asoke Kumar Sen	.. .. ..	Minister of Law & Social Security
Shri Y.B. Chavan	.. .. ..	Minister of Defence
Shri N. Sanjiva Reddy	.. .. ..	Minister of Steel & Mines
Shri Humayun Kabir	.. .. ..	Minister of Petroleum & Chemicals
Shri H.C. Dasappa	.. .. ..	Minister of Industry & Supply
Shri D. Sanjivayya	.. .. ..	Minister of Labour & Exployment
Shri Mahavir Tyagi	.. .. ..	Minister of Rehabilitation
Shri Mehr Chand Khanna	.. .. ..	Minister of Works & Housing
Shri Manubhai Shah	.. .. ..	Minister of Commerce
Shri Nityanand Kanungo	.. .. ..	Minister of Civil Aviation
Shri Raj Bahadur	.. .. ..	Minister of Transport
Shri S.K. Dey	.. .. ..	Minister of C.D. & C.
Dr. Sushila Nayar	.. .. ..	Minister of Health
Shri R.M. Hajarnavis	.. .. ..	Minister of Cultural Affairs
Dr. K.L. Rao	.. .. ..	Minister of Irrigation & Power

SPECIAL INVITEE

Shri P.C. Bhattacharyya	.. .. ..	Governor, Reserve Bank of India.

TWENTYSECOND MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : SEPTEMBER 5 AND 6, 1965

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTY SECOND MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

ITEM I—FOURTH FIVE YEAR PLAN - RESOURCES, OUTLAYS AND PROGRAMMES*

ITEM II—RECOMMENDATIONS OF THE COMMITTEES OF THE NATIONAL DEVELOPMENT COUNCIL

The National Development Council, at its last meeting held on October 27 & 28, 1964, set up five Committees on (1) Agriculture & Irrigation, (2) Industry, Power and Transport, (3) Social Services, (4) Development of Hill Areas, and (5) Resources to go into and evolve desirable guidelines for development and planning in the respective sectors for the Fourth Plan. These Committees have had a number of meetings as indicated below:

Agriculture & Irrigation	..	3 meetings
Industry, Power & Transport	..	3 meetings
Social Services	..	3 meetings
Development of Hill Areas	..	1 meeting
Resources	..	2 meetings

The main policy recommendations as have emerged from the discussions in these Committees are placed before the National Development Council. Suggestions for any modifications in the sectoral allocations have not been included in these recommendations and these have been taken into consideration and incorporated, to the extent possible, in the Draft Outline. On the Rural Manpower Programme, an inter-State Conference was held on April 14-16, 1965. Its recommendations could not be placed before the N.D.C. Committee on Agriculture & Irrigation, but in view of the importance of these recommendations these are also included in this paper. On most of these recommendations action has been initiated. After the N.D.C. has approved these recommendations further action will be taken by the concerned agencies, viz., the Planning Commission, Central Ministries and the State Governments.

AGRICULTURE AND IRRIGATION

Agriculture

Every State should undertake a careful review of what steps—organisational, legislative and procedural—are required to enable the Panchayati Raj Institutions to make the maximum possible contribution to the intensification of agriculture at the district, village and other levels.

*The paper has been published separately.

2. An expert Group should be set up by the Ministry of Food & Agriculture to prepare a programme of action for a comprehensive soil survey scheme in each State and also for work relating to soil and water management.

3. The village level worker should be upgraded as an agricultural extension worker and should actually be encadred as a part of the integrated Agriculture Department as per the recommendation made by Dr. Ram Subhag Singh's Committee. Functions other than agriculture should be looked after by Panchayat Secretaries who should also be in a regular cadre.

4. There should be a properly worked out area agricultural programme both for the intensive agricultural areas and for areas irrigated by irrigation works. There is an interdependence between the State Plan for agriculture and the local plans. A rough broad frame should be given by each State Government to local areas so that the preparation of district and block agricultural programme is not delayed until after the whole of the State plan has been worked out.

Minor Irrigation

5. Instead of spreading the limited quantity of water available thinly over a large area it would be much better if optimum water is made available in a given area for intensive cropping even if it means additional benefit to an area at the cost of no benefit at all to another area.

6. For minor irrigation, Users' Association, instead of Panchayats, should be formed in the villages. Such associations would have common economic interests and would be free from politics. Such associations could also take up the construction and maintenance of field channels for major irrigation works.

7. A small group should be set up for investigating potentiality for river pumping and canal pumping schemes. Along with these, workshops and service facilities should also be fully investigated.

8. Maximum utilization of the existing facilities is essential. Highest priority should be given to works on resources which call for maintenance or measures for more effective utilization. This is particularly important in respect of irrigation works.

9. Intensive areas formed the main strategy of agricultural production in the Third Plan, but for social and other coordinations it is necessary to have a programme for dry areas also and special programme for small holders.

Agricultural Research

10. Distinction between State research and Central research should go and an effective coordinated research plan drawn up. In view of the restricted man-power and limitations of equipments and materials, it is necessary to pool resources of the Central and State Governments in drawing up a coordinated programme. There should also be an agricultural scientists cadre to which all scientists above a particular level should belong so that it may be possible to transfer them from one place to another.

11. The Agricultural Universities should primarily concern themselves with fundamental research and should take up only those aspects of applied research which are particularly allotted to them.

12. At the highest level a coordinating body for research, extension and training should be set up to process the information from various sources and act as a clearing house.

Improved Seeds

13. Suitable soil, irrigation and other facilities are necessary for the production of good seed. 'Seed villages' should be selected carefully with due regard to these and human and organizational factors.

14. Since small holders may not be able to produce enough for sale, supply of foodgrains should be arranged for them so that all their produce may be taken over for seed purposes and not used for consumption in the seed villages.

15. Each State should start a pilot project on setting up seed villages for the next season. A model scheme for pilot project should be drawn up by the Ministry of Food & Agriculture by way of advance action for the Fourth Plan.

16. Size of the Seed Farm—Where the States can set up Corporations with large farms, care should be taken about the maximum size of the farm. For production of good seed, the farms should be between 300 to 500 acres.

17. Price and subsidy for seeds—The question of price and subsidy for seed calls for reconsideration. The economics of production, including the cost of processing, should be worked out and taken into account in regard to each category of seed.

18. Arrangements for testing and certification of seeds—Arrangement for testing and certification of seeds calls for strengthening. Each State should review the position.

Soil Surveys

19. Unit of Planning—The unit of planning and execution should be a catchment or a sub-catchment and the programme should be planned in a composite and comprehensive way to tackle all problems associated with efficient use and management of soil and water.

20. Soil Surveys—

(a) Standard soil surveys should be carried out before undertaking any soil conservation programme.

(b) Various surveys e.g. engineering, hydrological, etc., should be undertaken as basis for effective soil conservation programme and should be launched simultaneously with execution of various programmes.

(c) Soil survey organizations should be set up in the States where they do not exist at present.

21. State Soil Conservation Boards should be set up in those States where they do not exist.

22. There should be a full-time officer of the rank of Additional Director/Joint Director of Agriculture for soil conservation in each State.

23. The research and training programme under soil conservation should be intensified.

24. Soil Conservation Legislation should be enacted in the States where it has not been done so far.

25. Regional soil conservation units may be set up to look after the technical aspects of such Centrally sponsored programmes as are required for action by more than one State. These units may give advice to the State Governments when specifically requested by the State Governments to do so in respect of State Plan schemes also.

Plant Protection

26. Model Law—The Ministry of Food & Agriculture should formulate a model law and send it to the States.

27. Seed treatment—Seed treatment should be done free or on a nominal charge.

28. Plant Protection Staff at the Block level—Plant protection should be made an integral feature of the block programme. One agricultural extension officer, specially trained for the purpose, should be provided in each block. Centre should provide for the training of these officers. This Extension Officer would be specifically responsible for the plant protection programme of the block as a whole but at the same time he would be territorially responsible for general agricultural programme in his allocated portion of the block. He should get the plant protection programme organised by the entire block staff, working through the Agricultural Extension Officers in their areas, and directly in his own area.

Land Reclamation

29. A phased programme for land reclamation should be worked out State by State. In multi-purpose project areas this programme should be given a high priority.

Compost

30. Urban composting should be extended as far as possible.

31. A regular project should be worked out in each State whereby alternative fuels would be gradually made available to release cow dung for manurial purposes.

32. More details about the popularisation of rural latrines should be obtained from the States and then a programme of utilising night soil to the maximum extent should be drawn up.

RURAL MANPOWER PROGRAMME

The financial provisions for the programme should be included in the Plan.

2. The programme should provide employment on the basis of existing skills and improve the skills of the rural working force.

3. Areas of acute seasonal unemployment, covering 1,500 to 2,000 blocks, should be indentified.

4. The programme should be undertaken in the first three years of the Fourth Plan in these

blocks, spending from Rs. 2 to Rs. 5 lakhs per year in a block depending on circumstances.

5. The programme should lead to increasing agricultural production and/or development of community assets and cover schemes like village tanks, field channels, drainage works, contour bunding, land reclamation, village fuel plantation, rural market roads and brick-kilns.

6. Technical assistance of concerned departments should be enlisted to avoid additional expenditure on overheads. Overseers, surveyors, general mechanics, blacksmiths, masons, carpenters, electricians, etc., in adequate numbers should be trained for the programme. Peripatetic training schemes attached to rural training institutes might be used. Sarpanches and Panchayat Secretaries should be given instructions in management of labour and works, maintenance of accounts, muster rolls etc. through the Panchayati Raj training centres.

7. Administrative and technical organisations at the State, district and block levels should be strengthened for the programme and the powers of sanctions of the District Officer should be enhanced.

8. The expenditure of the programme should continue to remain outside the State Plan ceiling as a Centrally sponsored programme. The pattern of Central assistance should be 50 per cent grant and 50 per cent loan normally. In respect of backward areas within a State, State Governments might give grants upto 75 per cent if justified.

9. As advance action each State should undertake an intensive programme in 5 or 6 selected blocks out of the present Rural Works Blocks in 1965-66. In these blocks expenditure on the existing projects should be stepped up and fresh schemes for developing new skills on the job as well as setting up of work-cum-training camps for rural youth should be undertaken.

IRRIGATION

Major and medium irrigation

First priority should be given to completion of continuing schemes in the Fourth Plan, right up to the cultivators' fields, i.e., including construction of field channels, which would be the responsibility of the beneficiaries.

2. Before any new scheme is sponsored for inclusion in the Plan, it should be fully investigated and a complete project report prepared including firm estimates of cost and benefits. Judicious selection should be made of major and medium irrigation schemes for securing early and phased benefits. For all irrigation projects a planned agricultural development programme should be prepared and phased requirement of outlays indicated for speedy and optimum agricultural production, taking into account the needs of scientific agriculture.

3. There should be close coordination between the Irrigation and Agriculture Departments to ensure speedy and full utilisation of the Irrigation potential created and Agriculture Departments and Irrigation Departments should work hand in hand.

4. For large irrigation projects adequate provision should be made as earmarked Central assistance. The interest charges on these loans should be capitalised for an agreed period of construction.

Basin-wise Planning

5. Schemes for irrigation, flood control, drainage, soil conservation and water resource development should be formulated on the basis of integrated river-basin plans in the various regions of the country. Sufficient funds should be provided for investigation and preparation of projects for inclusion not only in the Fourth Plan but also in the Fifth and subsequent Plans.

Flood control

6. Flood control, drainage and anti-waterlogging schemes should be formulated in an integrated manner so that measures taken in one place do not accentuate the problem in a neighbouring area. These programmes will form part of State Plans. Funds for these will be made available as Central assistance.

7. In the Plans, drainage and waterlogging problems should receive priority. In preparing new irrigation projects careful consideration should be given to their effect on drainage and waterlogging. In this context, the need of lining canals should be kept in view.

Anti-sea-erosion

8. Sea-erosion should be treated as a national problem. This programme should not be proceeded with piecemeal but in an integrated manner and should be financed by the Centre, outside State Plans, on a pattern of assistance to be determined in the context of assistance for programmes in other sectors.

INDUSTRY, POWER AND TRANSPORT

Industry

The allocation of Rs. 135 crores for large Industries and Minerals envisaged for the State sector in the Fourth Plan was unrealistic and inadequate and it should be substantially increased in order to enable the State Governments to take up more industries, particularly the manufacture of consumer goods.

2. The State sector should be assigned an important role in developing the public sector. The entire concept of State public sector, its role, the types of industries to be undertaken by it, provision of funds and various other connected matters such as joint ventures with the Centre and/or private sector etc. required further detailed consideration.

3. The suggestion that financial assistance provided to the State sponsored industries and institutions from the central financing agencies should be regarded as part of the central assistance to States was not favoured. On the other hand the State Governments should be treated at par with the private sector in the matter of drawing funds from institutions such as the Industrial Finance Corporation, Industrial Development Bank and Life Insurance Corporation of India, etc.

State Participation in Central Public Sector Projects

4. There was considerable advantage in setting up joint sector enterprises in the public sector

involving both State and Central participation. The participation by the State Governments would bring about the desired co-operation between the Central and State Governments and generally improve the efficiency of working of the public sector undertakings set up by the Central Government.

5. In order to enable the State Governments to participate in the Central projects, adequate resources should be made available by the Central Government by way of loans to the States.

Association of State Governments with industrial policy matters

6. The State Governments should be associated more closely with the policies and programmes regarding availability and utilisation of foreign assistance, export promotion, location of industries and issue of licences, etc. to the private sector.

7. The State Government should be allotted some bulk foreign exchange which they could utilise to encourage industrial development and production.

Location of industries, including regional development

8. In the case of public sector, while heavy and basic projects based on raw materials, power, etc., should be located on economic considerations, reasonable alternatives should be examined for other projects and those which help to develop backward areas as well as to make up imbalances in development should be preferred.

9. In respect of private sector projects also while economic considerations would be more important in the case of certain raw material oriented industries, such as sugar, cement, etc., in the case of medium and small scale industries it would be desirable to determine in advance in consultation with the State Governments, specific areas in each State where the required infrastructure could be economically and quickly developed and to which the industries could be attracted.

10. Although unrestricted development of industries in large cities should not be encouraged and such developments should be directed to new centres, there should not be an absolute ban on the location of industries in metropolitan areas. It was emphasised that the State Governments were themselves keen to prevent congestion in metropolitan areas but exceptions may have to be made.

11. In order to provide adequate incentives for shifting industries from metropolitan areas, adjustments should be made in the tax structure.

12. There were circumstances which might merit some special treatment in the case of Assam and Kashmir in the matter of location of industries.

13. A review should be undertaken of the distribution of central investment in industries during the last three plan periods in order to ascertain the investment, output and employment benefits accruing to different areas. This would enable the view being taken on policy for the development of new industries in the Fourth Plan in different areas.

Private sector including State participation

14. Direct participation by State Governments in private sector projects should, as far as possible, be avoided and the parties approaching for State participation by way of financial assistance be directed to institutional agencies.

15. It would be desirable to indicate the type of industries to be developed in different States and allocate the additional capacity required in the Fourth Plan in various industries on the basis of economic and other considerations between different States and the State Governments made responsible for the implementation of the programmes.

16. Adequate measures should be taken to provide institutional finance to the corporate sector, particularly to the new entrepreneurs. The possibility of banking funds being made available as medium and long term loans might be explored.

17. To encourage the promotion of industries, the State Governments should establish industrial areas to function as new centres of development. These industrial areas should be carefully chosen and suitable infrastructure facilities provided with a view to attract entrepreneurs to set up industries.

Co-operative sector

18. It would be desirable to reserve certain industries exclusively for co-operative ventures and the industries to be developed in each State should be clearly indicated.

19. In order to promote the development of co-operative ventures on realistic and rational basis it was necessary that there should be reservation of loan funds from the resources of the lending institutions for the co-operative sector.

20. A larger proportion of the funds could be raised by way of share capital if the restrictions on the inclusion of outsiders in co-operative ventures are removed so that any private entrepreneur could become shareholder in the co-operative venture.

Industries (Development & Regulation) Act.

21. The working of the Industries (Development & Regulation) Act might be reviewed in the light of the experience gained over the last 15 years or so. There seems to be need for greater degree of flexibility and freedom in the matter of starting new industries so as to bring about a measure of competition and efficiency within the industries.

Labour Laws and Employment

22. The labour laws require further scrutiny from the point of view of ensuring discipline, productivity and growth of employment and also in the context of shifting of industries away from metropolitan areas.

23. The Labour policy adopted by central public sector projects requires examination. It is necessary to ensure that the benefit of employment at lower levels accrues to the local people.

VILLAGE & SMALL INDUSTRIES

Supply of Raw materials

Shortage of certain indigenous raw materials as well as imported raw materials is the principle problem experienced by small scale industries. A special committee set up by the Ministry of Industry and Supply is already looking into the problem. This, however, being the crux of all development in the sector, should receive urgent attention and the recommendations of this Committee should be considered and acted upon at an early date.

Reservation

2. After careful study, future expansion of capacity in selected industries may be reserved for the small industries sector.

Ancillaries

3. The progress in building up ancillary industries had been slow. Suitable steps should be taken for promoting small industries as ancillaries, an example being set in this respect by the undertakings in the public sector.

Dispersal of industries to small towns and rural areas

4. Besides certain special facilities and incentives, the necessary extension and service facilities should also be provided for stimulating small industries in small towns and rural areas. It is necessary to identify the facilities and incentives needed so that they could be promoted.

Finance

5. Adequate finance was not forthcoming, particularly for industrial cooperatives. The present procedures, terms and conditions of the institutional agencies should be reviewed so that these could be streamlined.

Technical improvements and research

6. Greater attention should be given to facilities for improving the techniques of production and also for research in order to enable small industries to adopt appropriate level of technology, particularly in respect of traditional rural industries.

Training

7. The possibility of providing training facilities in different crafts to the young illiterates and also of utilising the services of retired trained personnel, should be examined.

Agro-industries

8. The concept of 'Agro-industries' should be wide enough to cover not only those industries which were concerned with the processing of agricultural products, including animal husbandry, horticulture, poultry etc., but also the manufacture of inputs required for agricultural programmes e.g. supply of improved agricultural implements, etc. Further, the question of establishing a separate Corporation for or entrusting an existing Corporation with the promotion of such industries, should be taken up urgently.

POWER

By integrated operation of power stations, capability of the system increases owing to diversity of load demands and reduction in stand-by requirement. Other advantages are greater reliability of power supply from the system, economical operation of generating plants, and scope for installation of larger thermal units, which have relatively higher thermal efficiencies and cost less per kW of installed capacity than smaller units. As these result in considerable savings in capital investment and recurring charges, power systems should be integrated and regional grids established in the Fourth Plan.

2. The Regional Electricity Boards should coordinate the designs, voltages and the routes of the transmission lines inter-connecting the power systems of the concerned States.

3. The funds required for these inter-connecting Inter-State lines should be provided in the State Plans—each State taking the responsibility for financing, constructing and maintaining parts of such lines as lie within the boundary of the State.

4. At the request of the concerned States of a region or with their consent, Centre may undertake financing, construction and maintenance of Inter-State transmission lines. Funds required for these lines will need to be estimated immediately and provision made in the Fourth Plan for the lines thus proposed.

5. Load despatch stations for each regional grid should be set up so that the most advantageous loading of power stations in the region could be decided and the export and import of power from or into a State at any point of time metered. Thus alone can the demands of a region be arranged to be met from the most economical generating stations. Funds required for the load despatch stations should be shared equally by the States concerned. The load despatch stations should preferably be operated by the Regional Electricity Board.

Power Generation

6. Where a power station is required to be set up for supplying power to more than one State, the States concerned should agree among themselves for their share of investments and benefits.

7. At the request of the States concerned or with their consent, Centre may also undertake to set up power stations at suitable sites which are endowed with primary energy resources or are otherwise advantageous. In such cases, the Centre will finance, construct and operate the power stations and supply power in bulk to the States concerned. Here again, the schemes should be determined well before the Fourth Plan is finalised so that requisite funds are provided in the Central Plan.

Report of the Venkataraman Committee

8. The recommendations of the Venkataraman Committee in regard to augmentation of earnings of the Electricity Board to 11 per cent of the capital base were accepted. Because of the disparities in the development and working of the different State Electricity Boards, the Venkataraman Committee had suggested achievement of this objective in two phases. In such of the States where sufficient revenues are not being earned at present even to pay the interest charges, the immediate step should be to improve the working of the Electricity Boards and where necessary revise the tariffs so as to enable them to pay the interest charges after meeting the operation, maintenance charges and depreciation and general reserve. The States in which the revenues from electricity are at present adequate to cover interest charges, the aim would be to enhance the revenues to 11 per cent to meet the following:

Interest charges	..	6 per cent
Net profit	..	3 per cent
General reserve	..	½ per cent
Electricity duty	..	1½ per cent

That Committee had recommended that State Electricity Boards which had already attained the first phase of the objective might immediately proceed to realise the second phase in 3 to 5 years. If possible, the earnings should be larger than stated above and the period to achieve the objectives of the two phases shorter than indicated.

Power Planning

9. Power development should be viewed in perspective over the next 15 or 20 years and generation schemes taken in hand with a view to obtaining phased benefits year to year in the next two Plan periods.

Rural Electrification

10. Attention should be focussed on energising as many clusters of irrigation pumps as possible, irrespective of the statistics regarding number of villages electrified, as the above approach is the only way to increase agricultural production in large areas which do not have the benefits of canal irrigation. Similarly areas which have a potential for the development of agro-industries should receive special attention for supply of electricity.

TRANSPORT

General approach to the formulation of transport plans

Development programmes for transport and communications for the Fourth Plan should be formulated against a long-term perspective. An outline plan for transport should be prepared for the ten-year period, i.e. 1966-67 to 1975-76, and within the framework of this plan, a detailed plan should be formulated for the period of the Fourth Plan. According to the broad approach recommended for the formulation of these plans, different transport services should be developed and operated as integral parts of a composite transport network. The approach towards integrated development of transport services should provide fully for advantage being taken of technological changes and road transport services should be assigned due role in transport programmes for the Fourth and the Fifth Plans. The various technical and economic studies which had been initiated by the Planning Commission in cooperation with the Ministries of Railways and Transport and the States should assist in bringing about a closer understanding of the problems of transportation in relation to economic development and should facilitate the task of formulating a long-term transportation plan for the country as a whole.

Detailed work on the Fourth Plan

2. Estimates of traffic in the Fourth Plan should be examined further in relation to the agricultural, industrial and other targets and to the needs of different regions and tentative plans for different services should be reviewed further in the light of the revised estimates of traffic.

3. State Governments should be apprised of the plans of the Railways for the Fourth Plan period, so that they can take these into consideration in drawing up their own plans for transport development and, where necessary, bring their special problems to the attention of the Central Government.

4. In preparing the Fourth Plan, special attention should be given to the transport requirements of Assam and the north-east region in respect of rail, road and river transport services.

5. In drawing up detailed plans, note should be taken of the implications of qualitative changes in the character of transport requirements in the Fourth Plan period. Consequently, greater emphasis should be placed on selection of projects, traffic surveys and cost-benefit studies, where sizeable investments are undertaken. Care should be taken to see that the essential decisions and advance action were speeded up.

Road Development

6. Road planning should be based on an integrated view of the entire road network in the country, composed of National Highways, State Highways and other roads. In preparing plans for road development due attention has to be given to considerations of economic development, growth of new industrial and mining and other centres, and economics of industrial location. With a view to assisting the integrated planning of the road system within each State, as between neighbouring States, and for the country as a whole, technical advisory bodies be constituted in each State and at the Centre to function as Road Planning Boards.

7. As far as possible, the roads linking up with major ports should be treated as national highways. Programmes for national highways should provide for widening of national highways to two-lane carriageway.

8. The provision for the Lateral Road and the link roads should be additional to the Plan provisions for road development in the Fourth Plan.

9. Special attention should be given to road development in States in which rail transport facilities are less developed. The existing disparities in the level of road development in different States should be fully taken into account by the State Governments in formulating their road development programmes for the Fourth Plan.

10. A proportion of the provision for roads in the State Plans should be earmarked for rural market roads and rural communications. This might be of the order of 20 per cent or more. Towards this allotment, a grant amounting to one-third should be given by the Centre and this amount should be additional to the Plan provision. A special fund may be constituted to give such grants. A similar grant should also be made available for road development in hill areas. In formulating the programmes for rural roads, the States might endeavour to link these up with their production programmes for agricultural and allied fields.

11. A study group should be set up by the Planning Commission in cooperation with the Ministries of Railways and Transport and the State Governments concerned to make recommendations regarding future development of metropolitan transport (specially Calcutta, Bombay and Madras). The recommendations of this group should include road and rail transport and organizational and financing problems. Special provisions may be made for road development in metropolitan areas in the Fourth Plan.

12. The Central Road Fund, as envisaged in the special resolution of the Parliament, should be kept separate from the Plan and the balances in the Fund should be suitably augmented.

Road Transport

13. Planning of road transport services should be coordinated with Plans for road development.

14. Having regard to the programmes of expansion of the road transport industry, adequate institutional and other financing arrangements should be taken to strengthen the organisation of the industry by promoting viable units and associations of operators at regional and State levels.

15. Programmes of nationalised road transport undertakings should provide adequately for the needs of passenger traffic. As regards taking over of goods services under the State undertakings, this should be left to the discretion of the State Governments.

16. Cooperative transport along sound lines should be encouraged for passenger services in the less developed regions, and for goods services, specially in relation to traffic in fruits, vegetables, fisheries, dairy produce and in the context of agricultural processing industries.

17. State transport undertakings should build up resources for their further expansion. From this aspect, special attention should be given to their plans for development, measures for raising efficiency of management and change over to the corporate form of organisation.

Minor Ports

18. Plans for the development of major and minor ports should be closely coordinated within each region with one another and with transport plans for the hinterland and feeder areas.

19. The intermediate ports should be treated as separate from major and minor ports and a specific programme for development of intermediate ports should be drawn up.

20. Special attention should be given to selected minor ports. In these, development should be secured on an adequate scale.

21. Technical organisations for port development in the maritime States should be strengthened.

22. The Ministry of Transport should also develop an adequate technical organisation for port

development, which can provide consultancy services, prepare projects and undertake supervision of construction plans.

23. It would be advisable for the Central Government to arrange for training of technicians for minor ports.

SOCIAL SERVICES EDUCATION

Guidelines on Education

The State Governments will try to draw up their detailed Plans for educational development programmes in the Fourth Plan after taking into consideration the note on 'Guide Lines' sent to them some time back. This would enable the various ideas emerging from the discussions held at different levels during the last two years to be dovetailed with the actual formulation of schemes in the States.

Elementary Education

2. While facilities for elementary education should be extended in order to fulfil the Constitutional Directive, measures for qualitative improvement have to be built into the Plan. Otherwise, the large investments being made in this sector would continue to be wasted.

3. To reduce the existing wastage, it is also necessary to run continuation classes, adjust school hours to local needs and suitably motivate parents to send their children to school and not to withdraw them prematurely from school, through a well-designed massive programme of adult education, mid-day meals, supply of text-books and uniforms in certain cases, etc.

4. There is need for introduction of scientific literacy and of work orientation in the school curriculum right from the beginning.

5. In regard to basic schools it may be desirable to consolidate the existing position and to select at least one senior basic school in each block which could be developed over a period of five years into a model school. The other schools should be oriented on basic lines through the provision of activity methods, nature study and emphasis on character building and development of spiritual and ethical values. It may also be necessary to set up a national institute, with adequate equipment and staff for experimenting with various ideas of basic education, producing literature and training key personnel.

6. There is need for having an all-India policy defining the duration of elementary stage of education. It may also be considered whether statutory school boards could not be set up for the administration of primary education in the States.

7. It is extremely necessary that larger funds should be provided in the Plan for construction of quarters for teachers. The teachers quarters are even more important than school buildings.

8. The State Governments may start experiments in regard to adjustment of school hours to needs of agricultural operations, provision of continuation education to reduce wastage as well as the construction of school buildings with indigenous and cheap materials, introduction of double shifts, providing mid-day meals, intensifying special programmes for girls education etc. For this purpose it may be helpful to entrust this work to a special officer who would work out these projects in detail.

Secondary Education

9. To prepare middle level leadership and to prevent rush to colleges it is necessary to diversify secondary education and provide terminal education at the end of the elementary stage as well as at the end of the secondary stage.

10. Diversification is also necessary at the post-secondary stage so that there is no continuing pressure on arts colleges. This would require an urgent examination of the requirements in each State of the various types of personnel at intermediate levels and the orientation of the existing courses to make them terminal in character.

11. In the Fourth Plan it would be necessary to provide minimum scientific equipment to all the secondary schools in the country which would make meaningful the proposed re-orientation of these schools in terms of modern science. An attempt will have to be made to re-orient all the existing science teachers through correspondence courses combined with summer institutes which will serve as a personal contact programme.

University Education

12. The starting of new arts and commerce courses should be strictly regulated with universities laying down strict standards for affiliation as also for admission of students. The help of the University Grants Commission should also be sought in the matter.

13. It would be difficult to find necessary outlays for the setting up of new universities in the Fourth Plan. It was reiterated that instead of setting up new universities, university centres should be established within a complex of colleges. These centres should provide library, laboratory and teaching facilities of university standards. They could, in course of time, develop into universities. It was also necessary to concentrate on further raising the standard of well-established colleges.

14. Greater emphasis should be laid on the improvement of affiliated colleges. Steps might be taken which would discourage the opening of sub-standard colleges. Among others, the UGC might consider the non-sanctioning of grants to universities which affiliated such colleges as did not fulfil the minimum standards laid down.

15. With a view to enabling brilliant but poor students to continue education it would be necessary to have larger provisions in the Plan for loan scholarships. The loan scholarships would not only develop their sense of social obligations but also in the long run enable a larger coverage of students.

Social Education

16. Adult education and literacy play a very important role in accelerating social and economic growth. To make a dent on this huge problem it is necessary to take up a massive programme of literacy on the lines of the Gram Shikshan Mohim of Maharashtra which should be supported by a well thought out book production programme and the establishment of a network of libraries at various levels.

17. Literacy should be of a functional character and there should be greater emphasis on the retention and utilisation of literacy in the country.

18. It may be necessary to find out immediately the existing position and availability of adult literature in district/taluka/ village libraries and mobile libraries on the subjects of agriculture, industry, cooperation, science, literature etc. which would be helpful to the adult. Further, there should be detailed reports on the requirements of adult literature, mobile vans, libraries, etc. so that concrete programmes could be drawn up for the Fourth Plan. Pilot projects for adult literacy on the lines of the Gram Shikshan Mohim should also be immediately started.

Teachers— their salaries and service conditions

19. While there was urgent need for improving the service conditions and the salaries of teachers at various levels—especially at the elementary, secondary and college levels—the general rise in the salary scales of teachers should be a charge on the normal expenditure of the Government as in the case of the other civil servants and workers. It may be necessary, however, to study the problem of the salary scales of teachers by a Working Group on an all-India basis and to find out the likely implications of introducing a national minimum wage for various categories of teachers with different qualifications.

20. The question of going into the wage structure of teachers of various categories by a Study Group on an all-India basis to determine the minimum and maximum salary scales in relation to qualifications and experience should also be considered.

21. There should be no local restrictions in the recruitment of teachers; in fact, there should be open competition for recruitment to the teaching services as in the case of other civil services.

Science Education

22. The importance of science education in the Fourth Plan at all stages of education needs to be underlined. This would require a well thought out large scale programme of libraries, laboratories and workshops. Science education is to impart scientific literacy as well as build the attitudes and skills required for production and economic development. Each State should draw up a plan of action for introduction of science teaching facilities in existing institutions.

Development of Languages

23. It is extremely important to launch a bold and imaginative integrated programme of promotion of modern Indian languages. In this connection, the idea of setting up of institutes for each Indian language, production of literature and reading materials, preparation of dictionaries and bibliographies etc. needs to be emphasised. The proposed institutes should have well-established language laboratories and also look after the production of literature and reading materials, preparation of dictionaries and bibliographies in association with the State Book Trusts which might be set up on the lines of the National Book Trust.

School buildings

24. To clear the huge backlog of school buildings and to implement the programme of construction visualised in the Fourth Plan it would be necessary to evolve an effective policy. Low-

cost materials should be used, construction work should be taken up through labour cooperatives and voluntary organisations and space utilisation should be maximised and rationalised. In rural areas specially multiple use of buildings should be encouraged.

Others

25. To improve the technology of education, emphasis should be laid on large-sized institutions, correspondence courses, part-time and short-term courses, evening and morning classes, continuation education and other media of education so that the educational development is not retarded and maximum results are obtained with minimum efforts and without affecting standards.

26. The organisation of condensed courses for women should be encouraged as they would not only provide a means for educating the rural women but also help to train various categories of personnel who play a vital role in promoting development and welfare programmes in rural areas.

27. It would be necessary for the State Governments to find out how they proposed to provide for additional enrolment in schools, colleges, polytechnics and engineering institutions through the expansion of existing facilities and the setting up of new institutions. This required detailed planning about the location of institutions, utilisation of existing facilities, drawing up detailed plans of requirements of buildings, teachers, equipment etc.

28. It would be necessary to take advance action immediately during the current year so as to ensure the smooth implementation of the Fourth Plan proposals. Such action was especially required in regard to correspondence courses proposed for secondary education, teacher education, higher education and technical education, where it might be necessary to select key personnel and arrange for their study abroad in advanced countries which had made a success of these courses.

HEALTH

Medical Care

Health Organization at the level of primary Health Centres in rural areas and at municipal level in urban areas should be strengthened to consolidate the gains particularly of National Malaria Eradication Programme and National Small-pox Eradication Programme.

2. Funds allotted for Primary Health Centre's 'Programme should not be diverted and specific high priorities should be accorded for the construction of staff quarters, primary health centre buildings, etc.

3. Model Health Insurance Schemes should be prepared on the lines of Crop Insurance Schemes.

4. Medical facilities should be provided on an area basis and not on a sectoral basis as at present.

5. Special organisations should be set up, with the assistance from Centre, if necessary, for looking after the maintenance of hospital equipment like X-ray equipment, etc.

Medical Education & Training

6. To overcome the shortage of teachers in medical colleges attempt should be made to

improve post-graduate medical education during the Fourth Plan. To meet the present shortage of qualified personnel in non-clinical subjects, science graduates in these subjects with a little orientation training, wherever necessary, should be utilised.

Family Planning

7. Adequate steps should be taken for intensive education and motivation of the people particularly in some of the backward areas of the country. The importance of I.U.C.Ds as contraceptive device needs to be stressed.

Water Supply & Sanitation

8. High priority should be accorded to the provision of water supply facilities in rural areas. The pace of the programme of setting up of Special Investigation Divisions for a proper assessment of rural water supply programme in the States should be accelerated. High priority should be accorded to making available materials like cement, pipes, foreign exchange, etc. for water supply schemes. There should be better coordination, better planning and procurement of materials, simplification of import procedures.

9. The urgency and importance of providing drainage and sewerage and arrangement for safe disposal of sewerage simultaneously with the provision of safe water supply in towns and cities needs greater attention, especially in view of the fact that with the spread of industrialisation, the risk of filariasis has increased.

10. Cholera infested areas should receive special attention in regard to provision of water supply facilities.

11. To ensure an effective management of water supply schemes, it would be desirable for the beneficiaries to make payment for water-supply facilities and for that purpose independent/statutory water boards should be set up on a regional basis.

Indigenous Systems of Medicine

12. The present approach to education in Indigenous Systems of Medicine should be re-examined as it did not produce satisfactory results.

General

13. The question of bringing the Food Adulteration Act under the competence of the State Governments by taking it away from the purview of the local bodies should be considered.

HOUSING

There is need for the setting up of a Housing Board in each State. In the Centre also a Board would be set up. There is also need for a separate department in each State dealing with all housing matters and a Cabinet Minister to be in charge of it.

2. Funds allotted for housing should not be diverted.

3. The subsidised Industrial Housing Scheme has not made the desired progress. The recent Housing Ministers Conference recommended that further incentives to the employers, namely, 100% financial assistance—75% as loan and 25% as subsidy—should be given for the construction of houses. This may be accepted. If, however, the response from the employers is still not satisfactory. Government might enact legislation, making it obligatory for the employers to provide a certain percentage of housing for their workers.

4. The Central Government has recently amended the Slum Areas (Improvement and Clearance) Act to overcome certain basic difficulties in acquisition of slum areas in the Union Territories. State Governments should also enact legislation on similar lines so that large-scale programmes of slum clearance and improvements could be undertaken by them.

5. Provision of housing to sweepers and scavengers in congested towns should receive the highest priority. Wherever it is difficult to acquire land in the central areas of the city, land should be acquired in the periphery of towns and house sites allotted to them.

6. State Governments should take steps to set up Revolving Funds for bulk acquisition and development of land. They should also try to follow-up the recommendations that would be made by the Thacker Committee which would be suggesting measures—legislative and those for speeding up acquisition.

7. The Committee of Housing Ministers under the Chairmanship of Prof. Thacker would be recommending integration of the existing urban housing schemes into two broad categories, namely, subsidised housing scheme and loans scheme. State Governments should take necessary action in this direction.

8. There is need for a more concentrated effort in implementing the village housing scheme. The Block Development staff and the Development Commissioner should be made responsible for the implementation of the scheme. There is also need for adequate arrangements for provision of technical advice and guidance to villagers. State Governments should implement more actively the programmes for the provision of house sites to landless agricultural workers. For this purpose, they should acquire the land near the abadis from their owners by negotiation or under the Land Acquisition Act wherever necessary.

9. Efforts should be made to provide housing accommodation to auxiliary medical and health personnel and to teachers in rural areas to attract them into those villages.

10. State Governments and Housing Boards should promote or undertake the manufacture of all building materials and components. Advance planning should be resorted to in this regard.

11. The National Building Organisations should disseminate knowledge about manufacture and popularisation of new building material such as perforated and hollow clay bricks, sand lime bricks, light weight aggregates, cellular concrete blocks and asphaltic corrugated sheets. The use of cement for ornamental purposes should be avoided. More and more construction with lime mortar or mud mortar may be resorted to.

12. The Housing Departments or the Housing Boards in States should try to make an effective coordination of the housing programmes of all the departments in the States.

13. Cooperative Housing should be encouraged, particularly for the housing of low income groups.

14. The Central and State Governments should devote more attention to the housing of lower categories of Government servants particularly in the rural areas.

SOCIAL WELFARE

Welfare services for rural women and children now rendered under different programmes like Community Development, Welfare Extension Projects and Integrated Child Welfare Projects should be brought under one umbrella and a composite scheme of Family and Child Welfare should be introduced in the Fourth Plan. This scheme should be undertaken with the full support and involvement of the local communities and Panchayati Raj institutions so that it may strike roots in the local soil and grow on its own.

2. Voluntary organisations should play an important role in the field of social welfare. Voluntary organisations can attract an increasing number of men and women with a concern for community welfare and deal with social problems for which State agencies alone cannot provide fully. In order to enable the voluntary organisations to play their role fully and properly, the following measures be undertaken :

(i) Government assistance should be so regulated as to lessen the anxiety of voluntary agencies to raise funds from the public for retaining even the competent and devoted personnel on a long term basis.

(ii) Apart from grants for specific projects and programmes, voluntary organisations should, as a policy, be aided in maintaining and developing their organisational structure with the help of trained workers. For this purpose, grants have to be both more adequate and continuous than has been possible in the past.

3. The continued existence of beggary should be regarded as a matter of national concern and urgent measures should be taken under the Fourth Plan to eradicate at least juvenile beggary and professional beggary from places of pilgrimage and tourist centres. Anti-beggary laws already in existence in various States should be reviewed and a broadly uniform approach evolved on the basis of tested experience.

Ten to fifteen pilot projects be started during 1965-66 in centres in which certain basic institutional facilities are already available and where the State Governments, municipal authorities and local voluntary organisations agree to work closely together to carry out these pilot projects.

DEVELOPMENT OF BACKWARD CLASSES

Area approach to tribal development

Instead of taking up isolated tribal blocks, it would be better to adopt an area development approach by grouping together a number of contiguous tribal blocks. This would combine the advantages of intensive development as well as of area planning.

Forest Cooperatives

2. Since there is no inherent conflict between the tribal interests and promotion of forest wealth, a programme for the exploitation of forests through forest co-operatives comprising tribal members

should be worked out in collaboration with

Forest Departments. For this purpose, the Forest Departments should develop an extension service and tribals should be trained in managerial functions.

Housing and house-sites

3. A comprehensive village housing plan should be drawn up to integrate the programme of harijan housing with the larger plan of rural housing, pooling funds, technical expertise, etc., from housing and backward classes sectors. The State Boards should have Rural Housing Wings and at the field level cooperation of the Panchayati Raj institutions should be sought for acquiring land for new village abadis and for developing them.

Welfare of Denotified Tribes and Nomadic Tribes

4. Welfare programmes for these two groups be formulated on the basis of a combined correctional and welfare approach. Special economic and educational schemes should be worked out in the light of intensive studies of the specific problems and potentials of each distinct tribe.

LABOUR AND EMPLOYMENT

The size of underemployment in rural areas will have to be worked out after the concepts and definitions relating to underemployment and sources of data from which its magnitude will have to be derived, are settled at the technical level.

2. Suggestions should be made to the State Governments for maximising the employment potential of the Plan efforts.

3. The machinery of employment exchanges should be used more effectively for identifying the nature of problems of different areas.

4. After the full details of the Plans become known, it is necessary to identify areas requiring additional manpower programmes for the development of rural areas and creating employment.

5. There should be a massive rural manpower programme in the Fourth Plan. Some of the programmes which could be taken under this are (a) construction and repairs of tanks, (b) community orchards, (c) roads, and (d) soil conservation. The Panchayats and other local agencies should be utilised for carrying out the programme.

6. In order to provide employment for women, cottage industries should be encouraged on a large scale. The question as to how raw-materials could be made available, marketing facilities could be developed and training facilities provided, requires to be examined in the Planning Commission.

DEVELOPMENT OF HILL AREAS

Setting up of the Working Groups in the Central Ministries and a Steering Committee in the Planning Commission

Working Groups should be set up for the Development of Hill Areas on Education, Health, Khadi and Village Industries, Handicrafts and Small Scale Industries and Transport and Tourism besides Agriculture.

A Steering Committee should be set up in the Planning Commission to co-ordinate the work of the Working Groups.

Creation of a separate Cell at the Centre

2. A separate cell for the Development of Hill Areas should be created at the Centre.

A Long Term and a Five-Year Plan

3. For the development of Hill areas, there should be a long term 15 year plan with a macro objective along with Five Year Plans.

Priorities

4. Overriding priorities should be given to communication. Other important programmes are soil conservation, watershed management, hill area research, animal husbandry, training of technical personnel and surveys.

RESOURCES

(1) A minimum of Rs. 3000 crores will have to be raised through additional taxation, additional surpluses of public enterprises through adjustment of prices of goods and services produced, economies in administrative expenditure and more efficient collection of revenues. It might be necessary to go in for supplementary budgets in the current year.

(2) A joint Centre-and-State unit should be set up to study ways and means of raising tax revenues both in the rural and urban areas.

(3) In raising certain taxes in the States, concerted action will be called for at the national and zonal levels.

(4) There should be an examination of the levies which the Centre could undertake under Article 269 of the Constitution.

(5) Early action should be initiated to formulate a price and incomes policy, consonant with the requirements of development and productive efficiency.

(6) There should be periodic consultations between the Centre and States for evolving criteria and procedure in respect of (a) emoluments of Government employees, and (b) economies in

administration.

(7) There should be much greater emphasis on higher production, efficient operation and adequate profits from all public sector undertakings.

(8) Agriculture, irrigation and industrial projects which produce inputs for agriculture should receive the highest priority.

ITEM III — EXPORT PROGRAMME FOR THE FOURTH PLAN

The recent foreign exchange crisis has only highlighted the problem which is going to face the country during the Fourth Plan period if a plan anywhere near even the size now under discussion is to be implemented. Data available since the publication of the draft Memorandum have led to a stepping up in the size of the problem both because of an increase in the foreign exchange requirements of project imports and an increase in the amount required for servicing our foreign debt and meeting our repayment commitments. The Commission has now assumed a larger amount of foreign aid than what was indicated in the Memorandum. It is equally necessary to explore possibilities of larger exports, as compared to the target of Rs. 5,100 crores as indicated in the Memorandum.

2. What is clear, however, is that if this admittedly inadequate target of Rs. 5,100 crores is to be fulfilled, let alone a larger figure, then not only should there be a detailed export plan for the Fourth Plan, but also the necessary policy, organisational, fiscal and other inputs will have to be provided for ensuring its implementation. Export targets for individual commodities should be treated as projects, and export promotion as a package of projects, with all the implications that the concept of project carries, if the country is to achieve an export of Rs. 5,100 crores and more during the Fourth Plan period.

3. An export target of Rs. 5,100 crores means a rise in exports of about Rs. 1,248 crores during the Fourth Plan period from an anticipated total of *Rs. 3,852 crores during the Third Plan period. From some preliminary exercises on the subject, it is estimated that if this target is to be achieved, exports will have to rise from an anticipated figure of Rs. 850 crores in the terminal year of the Third Plan to that of Rs. 1,110 crores in the terminal year of the Fourth Plan. The estimated earnings from exports by major commodities in 1965-66 and the corresponding estimates for 1970-71 are given in Annexure I to this note. It must be added that as exports have to be undertaken in a dynamic economy, both internal and external, changes will become necessary in individual commodity targets as we proceed from year to year during the Fourth Plan. This involves a careful annual review and the drawing up of annual export plans. It must be emphasised therefore that these are tentative figures, but it is the best possible estimate that can be made at present.

4. The figures in Annexure I can be classified in different ways. Agricultural commodities, including plantation crops, account for about 37 per cent of the projected increase in export earnings. The main increases in this group are in tea (Rs. 33.5 crores), vegetable oils (Rs. 13.9 crores), fish (Rs. 12 crores), fruits and vegetables other than cashew kernels (Rs. 10 crores), sugar (Rs. 9.5 crores), spices (Rs. 5.5 crores), coffee (Rs. 4.1 crores), and oilcakes (Rs. 4 crores). Ores and minerals (including scrap) account for Rs. 39.3 crores or 15 per cent of the projected increase. Iron ore alone will bring in additional earnings of Rs. 43 crores. Manufactures account for 43 per cent of the projected increase, with miscellaneous items accounting for the remaining 5 per cent. Among

*This figure is based on actual customs data for the first four years and estimates for the last year of the Third Plan period.

traditional manufactures, the major increases are expected in jute manufactures (Rs. 12 crores), cotton fabrics (Rs. 5 crores), leather and leather manufactures excluding footwear (Rs. 4 crores) and coir yarn and manufactures (Rs. 2.5 crores). New manufactures, on the other hand, are expected to record much larger increases in exports, with engineering goods leading with Rs. 26 crores, followed by handicrafts (Rs. 14 crores), artificial silk fabrics (Rs. 8.4 crores), clothing (Rs. 7 crores), chemicals and allied products (Rs. 4.5 crores), footwear (Rs. 4 crores), and iron and steel (Rs. 3 crores). The anticipated increase in export earnings over the Fourth Plan period postulates substantial increases in the exports of new manufactures and ores and a greatly increased emphasis on the traditional exports of agricultural goods with the exception of marine products which can be counted as a new agricultural commodity.

5. Looked at in a different way, in terms of the expansion expected in individual commodities, large increases are expected in fish (150%), clothing (140%) and engineering goods (136.8%) followed by art silk fabrics (127.3%), fruits and vegetables other than cashew kernels (125%), iron ore (102.4%), sugar (90.5%), footwear (80%), handicrafts (51.9%) and chemicals and allied products (42.9%). Owing to the current ban on exports of groundnut oil, exports of vegetable oils as a group are estimated to show a decline in 1965-66 as compared to the preceding year. The export target of Rs. 19.5 crores for 1970-71 thus shows a disproportionate increase of 248 per cent over the estimated exports in 1965-66.

6. Finally, it may be pointed out that although there is a substantial expansion in exports during the Fourth Plan the export pattern as a whole does not undergo any marked change between the terminal year of the Third Plan and that of the Fourth Plan. Thus, exports of agricultural commodities (including plantation crops) are expected more or less to retain their relative position with 37.5 and 37.3 per cent of total exports. The share of iron ore exports goes up from about 5 per cent to 7.7 per cent. The proportion of manufactures, including traditional and non-traditional items, in total exports goes down from 49.7 per cent to 48.1 per cent, although there is a marked improvement in the share of new manufactures.

7. If this export programme is to be implemented, it is clear that the following conditions have to be fulfilled:

(1) Export markets for our traditional manufactures have to be maintained against increasing competition from other exporters as well as from domestic manufacturers within the importing countries. This requires cost reduction, improvement in quality, and aggressive marketing on the part of our traditional manufactures;

(2) To enable an increase of about 37 per cent in our exports of agricultural commodities, in which also we face competition, we require a more than proportionate increase in agricultural production of the commodities concerned, restraints on domestic consumption, ensuring the surpluses needed for export, reduction in cost, and improvement in quality;

(3) To enable an increase of 102 per cent in our exports of iron ore, in which also competition is increasing and threatening to become greater, it is necessary not only to bring about the required increase in domestic production (which has also to take care of increasing domestic requirements), but also to see that the increase takes place according to plan in terms of time-schedule, and that simultaneously the necessary arrangements are also made in transport and harbour facilities. Cost reduction is also an important factor; and

(4) For bringing about the estimated increase in our exports of the new manufactures, the most important requirement is the countering of the pull of the much more profitable domestic market for these goods. This requires fiscal incentives accompanied by planned programmes of cost reduction and improvement in quality, standardisation, and continuity of supplies at least for the quantities marked out for export. It will therefore, be necessary to build up a defined export sector in this field and adopt a selectivity approach in the export promotion of these manufactures. Market research and aggressive marketing are also a 'must' in this programme.

8. If we want to bring about a larger increase in exports than the targetted figure, and this is essential in view of the larger foreign exchange requirements of the Fourth Plan as revealed by recent calculations, larger efforts will have to be made for stepping up the production of agricultural commodities as also in utilising capacity, enlarging production, improving quality, reducing cost and building up an identifiable and dynamic export sector in the new manufactures. Plan priorities and programmes have to take this into account not only in terms of financial outlays but also in terms of production, organisation, incentives, and time-phasing. Public sector undertakings have to play a positive role in export promotion, and there has to be a significant step-up in the scale and variety of State Trading Corporations. An export psychology has to be created not only among manufacturers in both the public and private sectors, but also among all relevant branches in both the Central and State Governments. Even more important is the creation of such a psychology in the general public and in all political parties, as it is the latter which give a lead to public opinion. This implies in turn the stimulation of public readiness to understand that exports constitute a form of savings as essential as domestic savings in rupee terms and that it involves restraints on domestic, personal and public consumption that have to be put up with in the interests of domestic capital formation and an efficient functioning of the domestic economy. The fulfillment of our export targets also require a suitable international climate, especially readiness on the part of the developed countries to accord better access to our products. It also implies willingness on our own part to adopt a flexible attitude in our trading patterns and policies. In particular greater attention will have to be paid to long-term trade agreements of a bilateral character covering both exports and imports, as this will enable the tying up of planned production with export promotion.

9. Detailed programmes for ensuring the implementation of our export targets in respect of individual commodities as well as for exports as a whole will be worked out in consultation with the Ministry of Commerce and brought up before the Planning Commission for inclusion in the Fourth Plan Report. Meanwhile, it is suggested that a policy statement on export promotion spelling out what is required from both Government and the public in this regard should be placed before the next meeting of the National Development Council and then before the Parliament for public discussion, national education and governmental commitment. A draft policy statement prepared jointly by the Ministry of Commerce and the Planning Commission is in Annexure II to this note.

ANNEXURE-I

India's export earnings—Actuals for 1963-64 and 1964-65 and estimates for 1965-66 and 1970-71

Sl. No.	Commodity	(Value :) Rs. crores 1963-64	1964-65	1965-66	1970-71	Increase in 1970-71 over 1965-66	Percentage increase (+) or decrease (—) in 1970-71 over 1965-66
1	2	3	4	5	6	7	8
A.	Agriculture and Allied Products of which	192.7	185.2	181.1	239.4	+58.3	+32.2
	1. Vegetable oils (non essential)	19.9	7.0	5.6	19.5	+13.9	+248.2
	2. Oilcakes	35.4	39.7	41.0	45.0	+4.0	+9.7
	3. Tobacco unmanufactured	21.1	24.1	24.1	25.0	+0.9	+3.7
	4. Spices	16.0	16.7	17.5	23.0	+5.5	+31.4
	(a) Pepper	5.8	6.8	7.0	7.5	+0.5	+7.1
	(b) Others	10.2	9.9	10.5	15.5	+5.0	+47.6
	5. Sugar	26.0	17.9	10.5	20.0	+9.5	+90.5
	6. Fruits and Vegetables	30.1	36.8	38.0	45.0	+7.0	+18.4
	(a) Cashew kernels	21.4	29.0	30.0	27.0	—3.0	—10.0
	(b) Others	8.7	7.8	8.0	18.0	+10.0	+125.0
	7. Fish	5.7	6.8	8.0	20.0	+12.0	+150.0
B.	Plantations	131.7	138.0	137.4	175.0	+37.6	+27.4
	8. Tea	123.4	124.7	126.5	160.0	+33.5	+26.5
	9. Coffee	8.3	13.3	10.9	15.0	+4.1	+37.6
C.	Ores, minerals and Scrap of which	63.1	70.9	72.7	112.0	+39.3	+54.1
	10. Iron ore	36.4	37.4	42.0	85.0	43.0	+102.4
D.	Textile fabrics and manufactures (excluding Coir and Jute) of which	90.9	90.4	96.2	127.0	+30.8	+32.0
	11. Cotton fabrics	54.3	58.0	62.0	67.0	+5.0	+8.1
	(a) Mill-made	47.5	48.4	50.0	55.0	+5.0	+10.0
	(b) Handloom	6.8	9.6	12.0	12.0	—	—
	12. Art Silk fabrics	10.6	6.6	6.6	15.0	+8.4	+127.3

1	2	3	4	5	6	7	8
	13. Clothing	4.5	4.2	5.0	12.0	+7.0	+140.0
E.	Manufactures of Coir and Jute	166.9	180.0	184.5	199.0	+14.5	+7.9
	14. Coir yarn and manufactures	11.7	11.3	11.5	14.0	+2.5	+21.7
	15. Jute manufactures	155.2	168.7	173.0	185.0	+12.0	+6.9
F.	Leather and Leather Manufactures	38.9	39.9	41.0	50.0	+9.0	+22.0
	of which						
	16. Footwear	3.6	4.2	5.0	9.0	+4.0	+80.0
	17. Leather and Leather manufactures (excluding footwear)	26.4	27.4	28.0	32.0	+4.0	+14.3
G.	Engineering Goods	10.9	13.9	19.0	45.0	+26.0	+136.8
H.	Handicrafts	29.5	24.9	27.0	41.0	+14.0	+51.9
I.	Other manufactures	29.1	41.4	54.5	72.3	+17.8	+32.7
	of which						
	18. Iron and Steel	1.9	4.1	12.0	15.0	+3.0	+25.0
	19. Chemicals and Allied products	4.0	6.7	10.5	15.0	+4.5	+42.9
J.	Miscellaneous items including re-exports	39.5	30.8	36.6	50.0	+13.4	+36.7
	TOTAL (A to J)	**793.2**	**815.4**	**850.0**	**1110.7**	**+260.7**	**+30.7**

SOURCE : For actual exports D.G.C.I. & S. data.

ANNEXURE II

Draft Policy Statement on Export Promotion

Seventeen years have elapsed since the Industrial Policy Resolution was first adopted and nearly fifteen years after the adoption of planning. During this period, the Indian economy has grown and become diversified in almost all spheres. The country has successfully implemented two Five Year Plans and the Third Plan is nearing completion. From the experience gained during these years, it is abundantly clear that to achieve the desired rate of growth, the country's foreign exchange resources will have to be substantially increased by means of larger exports in spite of a large inflow of foreign aid and private capital. In fact, need for the foreign exchange resources that are contributed by exports has become more imperative in the light of the tied foreign exchange flowing from foreign aid and private capital and the growing needs of our economy for maintenance imports and project imports, apart from the need for servicing our foreign loans and meeting our commitments for repayment. It is, therefore, absolutely clear that building of exports is crucial and a necessary measure of 'self-help' to attain the minimum level of economic development and maintain a sustained capacity to pay for the country's maintenance and developmental imports.

2. Government are, therefore, of the opinion that a dynamic national policy for promotion of export trade is called for. During the course of the First and the Second Five Year Plans, exports on the whole remained stagnant, though they have picked up modestly in the Third Plan. Economic development within the country increased domestic demand and reduced surpluses for export. In order to tackle such a situation, it is obvious that both in terms of planning and implementation, India's foreign trade policy should form an integral part of the country's overall economic development planning.

3. The essential prerequisites of an active and well articulated foreign trade policy, aimed at maximising exports, are:

(a) Sustained increase in production in all sectors—agricultural, plantation, mining and industrial, particularly in export-oriented industries and manufactures;

(b) Continuous availability of supplies of exportable products and manufactures at internationally competitive prices and, with this end in view, the reorientation and adjustment of the policies in regard to industrial development, and imports of raw materials and components so as to ensure effective expansion of production capacities of exportable items;

(c) Recognition of and acceptance by all wings of the Government, both at the Centre and in the States, of the importance and urgency of the programme of exports, and development of policies leading to the implementation of the programme;

(d) Recognition by Industry and Trade of the vital role of exports in the growth of the economy; and

(e) Provision of adequate facilities for promoting exports.

4. Among the measures enumerated above, by far the most important condition for fulfilling

the programme for exports is the realisation of production targets. Nearly two-thirds of India's exports are based directly or indirectly on agriculture. Government feel that all possible assistance should be given for increasing production of commodities like raw jute, raw cotton, oilseeds, tea, coffee, cashew, fisheries and marine products and tobacco, etc. For increasing industrial production, raw materials, components and necessary equipment should be provided on a priority basis to the export-oriented industries. In any programme of rationing of limited foreign exchange, export-oriented industries should get high priority. In sanctioning additional capacity and establishing new units, import substitution would be an important criterion, but a more definite and positive provision would have to be made for developing capacity for exports. This should be done in both the public and private sectors. Industry in the private sector should assume an increasing obligation for exporting a given proportion of their output. The public sector undertakings must also participate in the export effort on a much larger scale so that a sizeable portion of their production is sold abroad. It would also be necessary to consider the establishment of new units in the public or private sector for manufacture of products mainly for export markets. Industrial licensing policy should take due care of the economies of scale and give preference to export-oriented industries.

5. Increase in production by itself will not lead to larger exports and it will be necessary to ensure that Indian products become available at prices competitive with those of other suppliers in foreign markets. This would depend largely on the scale of production and productivity, development of technology, availability of capital on easy terms and other factors, which get reflected in internal prices. From this point of view, it is vital that inflationary pressures associated with development which are likely to influence internal prices should be held in check. Further, there should be a systematic and sustained programme, industry by industry, for reducing costs. Government for its part would give every possible assistance to the export industries to reduce manufacturing costs.

6. In an economy like ours where population and living standards are rising and domestic resources are inadequate, it would be necessary in selected sectors to restrain the rate of growth of domestic consumption through fiscal, regulatory and other measures in order to make goods available for export.

7. In order to promote exports, Government have, during the last few years, taken several steps such as the establishment of the Board of Trade, Export Promotion Councils, Commodity Boards, Exports Credit and Guarantee Corporation, Indian Institute of Foreign Trade, Export Inspection Council of India, Indian Council of Arbitration and the like. Arrangements have also been made for providing credit facilities to exporters and for refund of duties. Facilities available from these institutions and production-oriented schemes of export promotion will have to continue in the foreseeable future. Government has made provision for export industries to receive relief and concessions from the burdens of fiscal and other levies; it would be necessary to put this on a more systematic basis. In addition, Government will also help private industry and trade in their export promotion effort by providing requisite amount of foreign exchange for business visits abroad and for exploration of markets. Government will also render assistance in the programme of export publicity and will encourage participation of Indian producers on a large scale in international trade fairs and exhibitions and may arrange, wherever feasible, wholly Indian exhibitions in the interest of export promotion. In order to ensure full and systematic utilisation of these facilities, it may become necessary to introduce a system of registration of exporters and export agencies.

8. While the State will continue to make available all assistance and to create favourable conditions for marketing of Indian products abroad, the actual responsibility for exporting will have to rest largely on the individual exporter and manufacturer. Export promotion should not be conceived on the basis of a static pattern. In the growing and dynamic economies of the world, new opportunities

arise and old ones decline on an almost continuing basis. Similarly, in our country, the detailed pattern of production and opportunities is bound to change with our economic growth. It is therefore essential that an appropriate climate should be created under which our exporters will seize new opportunities, explore new markets, and keep on the alert all the time to take continuous advantage of changing market conditions for exports. Government will give all the facilities needed for creating such a climate and are confident that both private and public sector enterprises will take full advantage of the opportunities thus created for a dynamic role in export promotion.

9. While our export effort has to continue to rely on the dynamism of manufacturers and exporters in the private sector, State trading in the realm of foreign trade has also much to commend it, particularly when bulk commodities are concerned and when long-term contractual obligations and developments are to be undertaken. Government may introduce State trading in exports of any commodity or group of commodities where they think it will be in the larger interest of the country to do so. This policy is already under partial implementation and may need to be extended to a few other selected commodities. Canalisation of imports of certain commodities of especially high profitability and scarce raw materials will have to be effected through state trading corporations.

10. Every endeavour will be made to encourage use of Indian shipping to the maximum extent possible in transporting Indian goods to foreign markets and bringing foreign goods to India. Programmes for the construction and acquisition of ships will also be given high priority in order to remove some of the bottlenecks which are impeding expansion of our exports. Similarly, adequate attention will be paid to the expansion and improvement of port facilities, as this constitutes a basic condition for the expansion of exports.

11. Tourism is another recognised instrument for the acquisition of foreign exchange resources. In fact, its promotion comes under the category of export promotion, as it constitutes one of the 'invisible' exports. Government attach great importance to the expansion of tourism and are providing for a substantial increase in tourist facilities, including hotels and travel facilities to places of historical and cultural importance. This includes also a network of emporia where foreign tourists can see a representative selection of the arts and crafts of the country.

12. Government wish to emphasise that Indian industries, whether in the public or private sectors, will have to become much more export-oriented than at present. This is necessary in their own interest of both maintenance and expansion because it will be difficult for other sectors of the economy, which have also their own import requirements, to continue to provide foreign exchange on the present scale for meeting the needs of the industrial and manufacturing sectors. It is therefore essential that manufacturing units should make quality products of international standards, lower costs of manufacture and attempt to sell a given portion of their production in world markets so as to increase the self-reliance of industry for importing essential raw materials, components and machinery not indigenously available out of its own export earnings.

13. Government are of the firm belief that only quality goods should be allowed to be exported outside the country. To this end, they have already taken steps to bring the greater part of our exports under compulsory pre-shipment inspection and quality control schemes. It is also necessary for industry to adopt suitable standards acceptable to the international markets and to continue to strive for better quality.

14. All the States of the Union have considerable responsibility in the achievement of the national task of promoting exports of the country. The States have to play a vital role in promoting production and exports, especially of agriculture and agricultural products as these are primarily the responsibility

of the State Governments. For this purpose the State Governments should arrange to provide all facilities and assistance that may lie in their power to increase the production of exportable products in their respective territories, set up such organisations and make such institutional arrangements as may augment exports, and devise ways and means for giving positive assistance to the export effort, give reliefs and concessions on local taxes on export products and remove any handicaps or bottlenecks that may be hampering exports.

15. It is hoped that these measures will substantially assist the development of exports. The success of any such programme will, however, depend among other factors on the situation obtaining in the international field. Government are aware that many of the Indian products are subject to tariff and non-tariff barriers in some of the foreign markets and they are doing their best to get these obstacles removed as far as possible, consistent with the principles of international trade through international organisations such as UNCTAD, GATT, FAO and other similarly placed bodies. Government take this opportunity to re-affirm their faith in the ability of these organisations to alleviate the difficulties of the developing countries in securing a larger share in the world trade.

16. The programme of export promotion will make large demands on the country's resources and will need the willing cooperation of the whole nation including the consumers, agriculturists, industrialists and exporters, large and small, the private and public sectors, the worker and management and all sections of opinion in the country as well as different organs of the Government at the Centre and in the States. The Government of India trust that this statement of their Export Policy will be given full recognition by, and will receive full support of, all sections of the people and that a concerted endeavour will be made by the entire nation to lead the country to continuous expansion of exports.

SUMMARY RECORD

Opening the meeting of the National Development Council, the **Prime Minister** stated that when the Council had last met, it was felt that the size of the Fourth Plan should be increased from Rs. 21,500 crores to Rs. 22,500 crores. This increase of Rs. 1,000 crores in the public sector would generally meet the needs of the country and satisfy the requirements of the States. This matter had been carefully considered. Ultimately, the Resources Committee and the Planning Commission had come to the conclusion that it was not possible to raise resources for the public sector beyond Rs. 13,850 crores. The Planning Commission had held a number of meetings to consider the size and content of the Plan and, at the last meeting of the Commission, where he (the Prime Minister) was present, it was decided to adopt a Plan of Rs. 21,500 crores because it was essential to keep within the limits of the resources available. The Prime Minister suggested that the National Development Council may also agree to a Plan of this size; to go below it would also not be desirable. Continuing, the Prime Minister observed that although the size of the Plan was important, its content was even more important. There were several essential sectors in which large amounts had to be spent, but in his view, the highest priority had to be given to agriculture. Agriculture, industries, irrigation, power, roads, transport, education and medical facilities were some of the important sectors which had to be given high priority. The need for increased agricultural production was paramount as much of our economic development was based on agricultural production. Besides, the country could not depend for ever on agricultural imports from foreign countries.

2. It was stated in the draft Memorandum that, at the end of the Fourth Five Year Plan, the country would become self-sufficient in food. It was, in any event, essential, the Prime Minister stated, that the country should be in a position to cut down its food imports drastically. The development of agriculture was a much more difficult process than the setting up of industries since the former was a decentralised sector. Agricultural operations had to be carried out over a large and extensive area. The Prime Minister expressed doubt as to whether there was proper coordination between the different wings of Government dealing with agricultural development. It was, therefore not an easy matter to make effective use of funds provided for agriculture. At the same time, agriculture should not suffer for lack of funds. If the allocations made were properly spent and utilised and if still more money was needed, some other programme could be cut down and funds provided for further expenditure on agriculture. In the first year of the Fourth Plan, the fullest attention should be given to agriculture. This did not mean that other things would automatically be cut down. For example, in the first year, efforts would have to be made to complete all the industrial projects which were in hand and which had not been completed by the end of the Third Five Year Plan. Other projects, which would yield quick results, should also be taken up. The Agricultural Plan would have to be an integrated Plan. He referred in this connection to a note on the draft Agricultural Plan which had been sent out recently to the Chief Ministers. This would require to be considered further.

3. In regard to education, the Prime Minister stated that, whereas it was essential that the highest importance should be attached to technical education, large sums of money should not be spent on increasing the number of colleges and universities. He was all for primary, adult and technical education, but literary education had to be kept within reasonable limits and viewed in the context of other urgent needs. He also referred to the importance of irrigation along with power and laid particular stress on rural electrification because, by providing pumping sets in the rural areas,

irrigation facilities could be made available to the peasants. These were some of the important sectors which, in the Prime Minister's opinion, should receive priority.

4. Referring to resources, the Prime Minister stated that it was going to be a very difficult and onerous task to find an amount of the order of Rs. 3,600 crores. This had to be done mostly through additional taxation. He was confident that the State Governments would be prepared to fulfil their quota. Some of the Chief Ministers might do something even now by imposing fresh taxes or by raising rates of electricity or irrigation through supplementary budgets. The Prime Minister, however, left it to the State Governments to decide as they thought best.

5. External resources had also to be found and it had been suggested that external assistance could be of the order of Rs. 4,000 crores. It all depended on the goodwill of the countries that had been helping India and also institutions like the World Bank, etc. Naturally they would expect that India should do something of her own. The Union Finance Minister had placed a supplementary budget recently before the Parliament. It was an indication of the fact that we were prepared to bear greater burdens with a view to giving a new fillip to the Fourth Five Year Plan. It also showed to other countries that, while they continue to assist us or to increase their assistance, we, on our part, would also try to match their aid and even do more in order to produce conditions in the country which would be in the larger interests of the people. The Prime Minister stated that, if the size of the Fourth Plan was agreed upon by the Council at Rs. 21,500 crores, every effort possible would have to be made to see that it was fully implemented and fully completed and that there was absolutely no short-fall. For that both internal and external resources were important and a constant watch on the resources position would have to be kept. If more resources were available later, the Plan could be expanded, but, in case these resources were not available or were available in smaller quantities, then the Plan would have to be cut down. The alternative would be inflation. As a matter of policy it had been decided not to undertake any steps which would lead to inflationary tendencies. There should be no deficit financing and the State Governments should keep this in mind. An important corollary to raising resources was cutting down expenditure. Measures for effecting economies in expenditure, both at the Centre and in the States, should be introduced.

6. Special attention would have to be paid to implementation. If this was faulty, large allocations would not make the Plan succeed. Referring to implementation in the agricultural sector, the Prime Minister stated that there should be better coordination at the field level of the various agencies which support agriculture such as irrigation, power and the supply agencies dealing with fertilizers, seeds, credits and other inputs. Co-ordination is necessary in the Secretariat, but it is desirable that senior officers go to the villages and work out coordinated programmes after actually finding out the difficulties of the farmers. The Prime Minister stated that he would like the question of the need for so many departments concerned with agriculture to be examined. However, greater coordination must be ensured and actual results produced in the fields.

7. The Prime Minister indicated that the Minister of Home Affairs was considering the setting up of a high-power Commission for improvement in Administration. This would examine the steps needed at the District, Directorate and Secretariat levels; the improvements that could be made and the reasons for the delays in implementation of schemes.

8. Concluding, the Prime Minister stated that success in the Fourth Five-Year Plan was vital to the country. During this period, we should be in a position to provide the people with the basic necessities of life—food, clothing, shelter, education and medical facilities. Another problem, which was greatly troubling the people and stirring up agitation was the question of rising prices. It should be possible, in the course of the Fourth Five-Year Plan, to provide the necessities of life at a

reasonable price, which should be within the means of wage-earners and middle-class families. Our objective was socialism and we had to proceed in that direction. We had to fight monopolies and see that there was equitable distribution of wealth and national income. With this goal before us, we had to execute and implement the Fourth Plan.

9. The Prime Minister also gave an account of the situation which had developed consequent on Pakistan's aggression. He said that the country would have to undergo suffering and sacrifice. He called upon the people to strive their utmost and contribute whatever they could for the preservation of the nation's freedom and integrity.

10. **Shri Asoka Mehta**, Deputy Chairman, Planning Commission, expressed gratitude to the Prime Minister for clear-sighted and determined leadership in the defence and development of the country. Referring to the massive economic aid provided to Pakistan by the Western countries, which on a per capita basis was three times that given to India, Shri Mehta pointed out that Pakistan's gross investment in its economy was 17 per cent of its national income though its gross domestic savings accounted for only 9.6 per cent. We had, therefore, to aim at a rate of investment of 17 per cent of our national income not only in order to develop and diversify our economy quickly but also because the country could not afford to be overtaken by Pakistan in economic capabilities. These efforts, with all the achievements that would flow politically to strengthen the country and enlarge the economic and social opportunities for the people, would require tax receipts, as a proportion of national income, to rise from 13 per cent now to 18 per cent by the end of the Fourth Plan. Through normal growth the share of taxes would go up to 15 per cent. There was, therefore, the need to make the extra effort to get 3 per cent more of the rising national income as taxes in order to raise the rate of savings from 10.5 per cent now to 15 per cent and the investments from the current rate of 13 per cent to 17 per cent of the national income by the end of the Fourth Plan. These efforts would not adversely affect the levels of living of the people. The extra effort had to be met from the additional incomes that would be generated. 27 per cent of that additional income would need to be channelled towards investment through taxation and savings drive and the remaining 73 per cent left available to improve living standards. In this way the living conditions could be improved and simultaneously the economy strengthened.

11. Shri Asoka Mehta went on to say that during the three Plans, both the Centre and the States would have raised Rs. 4,142 crores in additional taxation. Of this amount only Rs. 95 crores had been contributed by increments in direct agricultural taxes and in irrigation rates—that was a mere 2.6 per cent. Balanced development required not only more investments in agriculture but also more savings from agriculture, because agriculture constituted a very large portion of our economy and income. In the three Plans, the modernised sectors taken together had grown almost four times as fast as the traditional sectors also taken together. These disparities in growth had to be corrected. That was among the major tasks of the Fourth Plan. But to do that both larger investment and greater savings from agriculture were needed. The scheme of resource mobilisation that the Planning Commission was recommending involved getting 11 per cent of the addition to the agriculture income into the State exchequer as against 27 per cent for the economy as a whole. A fourth of the additional mobilisation of resources over the Plan period should come from the rural sector as without that the Plan would not be sustained.

12. During the next five years, the Centre and the State Governments would be spending nearly Rs. 20,000 crores over administration, defence and development. Even a 2 per cent economy, rigidly carried out all along the line, would, Shri Mehta pointed out, yield Rs. 400 crores for the Plan. Such purposeful economies had to precede and accompany all efforts at mobilising resources,

existing as well as additional. In the Planning Commission's paper placed before the National Development Council, a five-point programme of economy had been laid down. Shri Mehta urged the State Governments to adhere to it strictly.

13. Even with these strenuous efforts the Plan would not provide for all the essential programmes the States and the Central Ministries demanded and the country required. The Plan that would meet the needs for development of the States and the nation in terms of economic growth, adequate employment, etc., would require an outlay of over Rs. 24,000 crores or nearer Rs. 25,000 crores. On the other hand, a Plan which involved no great draft on the determination of the political leadership, on the efficiency and economy of the administration, and purposeful efforts by the people, could be of less than Rs. 18,000 crores. The Planning Commission had, therefore, tried to suggest a Plan of a size somewhere in the middle of these two positions. This would mean that while, on the one hand, determined efforts would have to be made to fulfil the tasks and targets, on the other hand the programmes would need to be considerably pruned and strict priorities would have to be observed in the final choice. In this process of selecting the real essential programmes, the Planning Commission would, Shri Mehta stated, seek the cooperation and understanding of the State Governments.

14. The investment outlays in the public sector had been reduced from the estimates offered in the Memorandum considered at the previous meeting of the National Development Council by Rs. 1,000 crores and, as such, this had resulted in postponement or curtailment of many schemes and programmes previously accepted. The Planning Commission had, however, taken care to see that schemes and programmes that could yield results in the Fourth Plan were left untouched. Largely the benefits that would have accrued in the Fifth Plan had been allowed to be affected. Any further reduction would, Shri Mehta pointed out, damage our future in the Fifth Plan and thereafter. The claims of defence had obviously the overriding priority but in a large measure they did not conflict with the needs and design of development.

15. **Shri S. Nijalingappa**, Chief Minister of Mysore, stated that he and other members of the National Development Council fully shared the sentiments and the views expressed by the Prime Minister. He agreed that all our efforts must be to produce more food and more goods and to see that the manufacture of goods and machinery necessary for the defence of the country was given top priority. Many sacrifices are demanded of every citizen of the country and those present at the meeting representing this great country would themselves have to make the maximum possible sacrifice. Referring to the discussion on resource mobilisation which the Union Finance Minister and the Deputy Chairman had with him and other Chief Ministers in his State and considering what the Deputy Chairman had just pointed out, the Chief Minister said that it was their bounden duty to raise the resources to the extent expected of them. His State, he said, would try, as far as possible, to economise in administrative expenditure and raise resources. The Chief Minister particularly mentioned an increase in the power rates. He referred to the difficulty of finding foreign exchange for essential needs. He urged that due regard should be given to the needs of the States in the allocation of foreign exchange and some measure of freedom in its utilisation given to them. Since food production was to be given the first priority, more irrigation facilities had to be provided. Mysore's performance had been very good in this sector. If more funds could be made available, it should be possible to increase, within a year or two, 4 to 5 lakh acres under minor irrigation. Out of the cultivated area, only about 6 to 7 per cent was under irrigation. In order to increase agricultural production, it was necessary to increase irrigation through major, medium and minor irrigation projects and wells. Referring to power, the Chief Minister stated that Mysore was producing a large bulk of power and the State hoped to increase the country's supply of power by about 10 lakh K.W.

The real difficulty was lack of funds for line material without which it would be difficult to supply power to farmers. If funds could be found for transmission of power to the agriculturists within the next two to three years, Mysore could become practically self-sufficient in food and even become a surplus State within the next 6 to 7 years. The Chief Minister emphasised that, in order to produce more food and other important raw materials, the production of power had to be given priority. At the present juncture, the defence effort had, of course, to be given the highest priority.

16. **Shri Mohanlal Sukhadia**, Chief Minister of Rajasthan, referred to the recent developments about which mention had been made by the Prime Minister and stated that the States would be prepared for whatever sacrifice was demanded of them. In the present situation when non-Plan expenditure would increase, it would not be feasible, he thought, to have a bigger Plan than Rs. 21,500 crores. This Plan should be definitely defence-oriented. Food production had to be given the first priority. After agriculture, power was another necessity for strengthening the industrial base, which was essential for defence. Strategic roads should be given priority instead of connecting every village and tehsil headquarters with the main road. The Chief Minister suggested that the Planning Commission might examine how the Plan may be defence-oriented. He was sure that, if a call was given to the country for doing away with certain amenities, people would respond to it. Certain productive sectors must be safeguarded as production was the real base on which our defence efforts would rest. As regards resources, the Chief Minister said that if all the States were to decide on similar lines in certain spheres, it should be possible to raise resources to the extent indicated in the Planning Commission’s paper. With regard to sectoral allocations, he stated that looking to the changed circumstances necessary readjustments would require to be made. He suggested that the Planning Commission might examine whether some of the industries which had been thought of at present in the public sector might not be left to the private sector. More strategic industries could be taken up in the public sector. Similarly, in the private sector also it would be necessary to review as to what type of industry should come up in the coming five years. In the coming years more goods and machines needed for defence should be produced. Even the educational system could be oriented to defence, by making one-year military training compulsory before graduation. A decision of this type would have a good psychological effect in the country.

17. **Shrimati Sucheta Kripalani**, Chief Minister of U.P., stated that the National Development Council was meeting under the shadow of war. It would need to be considered as to what extent the Plan would have to be altered to suit the defence needs. She had no doubt that all the States would do their best to reorient the programmes to suit defence requirements. She stated that the estimate of resources, as given in the paper put up by the Planning Commission was realistic and she fully agreed with the points of policy which the Deputy Chairman had mentioned in his remarks. It was necessary, both for the States as well as for the Centre, to abide by financial discipline and effect maximum economies. As suggested in paragraph 26 of the Planning Commission's paper on 'Resources, Outlays and Programmes', the Centre should not allow any increase in the salaries and allowances of Central Government employees or of employees in the industrial sector without consultation with the States. As regards additional resources which the States were expected to raise viz. Rs. 1,250 crores, the Chief Minister was confident that the States would be able to find these resources. Referring to the suggestion made by the Planning Commission that the States should try to ensure that maximum possible amounts out of their devolution and grants covered by the Finance Commission's award were made available for Plan purposes by observing economy in non-Plan and non-development expenditure, she stated that she was extremely doubtful if that would be possible. She also stated that the number of Central schemes and the outlays proposed for them had been considerably raised by the Planning Commission. The staffing pattern which

was suggested for the Central schemes was excessive. It was possible for the State Governments to execute many of the schemes with less staff. The allocation for technical education had been reduced. For a State like U.P., which was backward in technical education, she suggested a larger allocation under this head. She urged that the hill and backward areas of U.P. should receive attention in the Rural Works Programme for the Development of Hill and Specially Backward Areas. She also asked for a larger allocation for minor irrigation.

18. **Shri K. Brahmananda Reddy**, Chief Minister of Andhra Pradesh, welcomed the Prime Minister's statement on Kashmir and stated that the entire nation would stand behind him. The Chief Minister fully agreed that economic development must go on subject of course to defence needs. In the field of economic development, the first priority should be given to agricultural production. He suggested that the Deputy Chairman, Planning Commission, and the Union Finance Minister should visit each State and discuss the State's agricultural plans. They should take the needs and difficulties, which arise in implementation into consideration, and, by providing the necessary coordination between the Centre and the States, help in increasing agricultural production. As he had already suggested to the Deputy Chairman and the Finance Minister, it was necessary to bring together the Chief Ministers and the Finance Ministers of adjoining States on a regional basis so that the efforts necessary for raising resources could be discussed. In this way, it would be possible to take a realistic view and see what each State had done and could do to raise additional resources under different heads. The Chief Minister also suggested that the Union Finance Minister might consider, in consultation with the States, what resources could be raised under Article 296 of the Constitution as under this Article powers vested with the Central Government and not with the States. He agreed that there was scope for cutting down unnecessary expenditure and with a little more coordinated effort between the different departments in the States this could be done.

19. **Shri Krishna Ballabh Sahay**, Chief Minister of Bihar, fully supported the policy enunciated by the Prime Minister. In view of the situation which had emerged, the Plan should be war-oriented and as the tension was likely to continue for a long time, the work of development which was needed for the war effort should not suffer. Emphasis had to be placed on agriculture, including irrigation. The Chief Minister drew special attention to the problem of floods in Bihar, which resulted in the washing away of crops every year. About four lakh tons of grains were thus lost every year and, if something could be done to save foodgrains in Bihar, it would cease to be a deficit State. The Chief Minister also pointed out that in order to step up agricultural production, Bihar would need a larger supply of fertilisers. He, however, assured the Council that Bihar would make every effort to promote agriculture and the entire irrigation potential would be utilised. The Chief Minister stated that the Bihar Government had appointed a high power Committee to effect reduction in expenditure and he hoped that, in the Fourth Plan, it would be possible to effect economy to the tune of Rs. 30 crores. He added that while the States should do all they can to raise additional resources, the Centre should also consider the possibility of raising resources for the States under Article 296 of the Constitution. He hoped that the size of the States' Fourth Plans would be fixed as soon as possible so that the States should start making preparations for the Fourth Plan.

20. **Shri P. Shilu Ao**, Chief Minister of Nagaland, gave a brief account of the difficult conditions through which the people of Nagaland had been passing ever since the Second World War with the result that no economic development had so far really taken place and the State had remained backward. In order to remove the feelings of misgivings and suspicion among people in backward areas and to win them over, it was necessary, he stated, to provide them road communication, education and modern facilities and amenities and thus help develop the backward areas. The Chief Minister suggested that for Nagaland there should be two types of planning—normal planing

and the long term planning. He suggested that it would be useful if the Planning Commission could send a team of experts to advise the Nagaland Government on the formulation of an appropriate Plan. As Nagaland had potential oil, coal and limestone resources, the team of experts might include one or two geological experts so that extensive surveys and investigations could be carried out. These sources, if tapped, could be a source of revenue for the State. The Chief Minister also asked for the establishment of one sugar mill and one paper mill with a 100-ton capacity as necessary raw material was available.

21. **Shri P. C. Sen**, Chief Minister of West Bengal, expressed the whole-hearted support of West Bengal to the Prime Minister in the present crisis. Referring to agriculture which was being given top priority in the Fourth Plan, the Chief Minister stated that considering the increase in population West Bengal's scope for further increase in agricultural production was not such as to make it self-sufficient. Per capita land in agriculture in this State was very small and it was difficult to bring more land under the plough. In order to meet the large unemployment problem in West Bengal, it was necessary, he said, to have more small scale, cottage and medium industries and also some large scale industries. Coming to the Social Services sector, the Chief Minister stated that efforts should be made to see that during the Fourth Plan illiteracy was liquidated. He asked for a large provision in the State Plan for technical education and also for research as these were also necessary for defence. On the question of resource mobilisation, he stated that the Chief Ministers of States in the Eastern Zone had met in a conference and made certain suggestions which were sent to the Union Finance Minister. He also indicated that the Chief Ministers of some 10 or 12 States had met the previous day and it was agreed to place the following points before the National Development Council for consideration:-

(1) The inter-State sales tax should be raised from 2% to 4%.

(2) The sales tax levied on declared goods should be raised from 2% to up to 4%.

(3) Additional excise duty on sugar, tobacco and mill-made cloth (fine and superfine) should be raised.

(4) Tax on railway passenger fares should be levied.

The Chief Minister said that State trading in West Bengal would help to raise resources considerably. State trading in paddy alone could bring a profit of something like Rs. 8-10 crores a year to the State. This was one of the great sources of revenue if it was taken up throughout India and this should be examined. The Chief Minister also suggested that the question of imposing a cess on land revenue should be examined.

22. **Shri Balvantray Mehta**, Chief Minister of Gujarat, stated that the whole country stood behind the Prime Minister as one and would be prepared to do all that was possible. Referring to the Plan, he stated that he would like the allocation for industry and power to be raised, if possible. He asked for an early decision on Centrally sponsored schemes so that some advance action could be taken. The Chief Minister felt that the Plan did not provide adequately for expenditure on intermediate ports. Apart from earning foreign exchange, these helped in the prosperity of the surrounding areas. In his view, the intermediate ports should be in the Concurrent list and they should be the responsibility of both the Centre and the States. He urged reconsideration of this suggestion. He also suggested that projects which yield handsome results and satisfied many of our needs should be financed adequately either by the Centre or the States. He referred in particular to the Narmada project and hoped that it would be included in the Fourth Plan and sufficient funds would be provided so that it could be implemented in the Fourth Plan period. Another point to

which he drew special attention was the need for delegation of powers in certain fields to the State Governments so that it should not be necessary for the States to approach the Centre for every thing. If a certain quantum of foreign exchange could be made available to the States, this would avoid unnecessary delays and help the States in solving certain problems. Referring to the size of the Fourth Plan, the Chief Minister stated that while the size of the Plan had been reduced, the reduction was larger in respect of States' Plan than in the case of the Centre. He was of the view that the reduction should be in the same proportion. He also urged a larger share of public sector undertakings for the States.

23. **Shri V. P. Naik**, Chief Minister of Maharashtra, expressed satisfaction that the Plan size had been kept at Rs. 21,500 crores. He agreed that, in view of the situation which faced India, the Plan would have to be defence-oriented. He felt that there was a tendency towards over-Centralisation on the part of the Union Government, which resulted in procedural delays. In order to play safe, officers were often disinclined to take quick decisions and were more inclined to find small loopholes in the schemes with the result that their implementation was delayed. This, the Chief Minister stated, should be avoided in our planning. He suggested the setting up of a small Committee comprising of some Chief Ministers, some Central Ministers and some one from the Planning Commission to go into the existing procedures which caused delays and to consider what items should be decentralised in order that the Plan may be implemented expeditiously and successfully. He generally agreed with the proposals made in the Planning Commission's paper for raising resources. Central assistance to States should, he stated, be based on certain clearly defined principles. He urged a larger allocation for irrigation because this was the basis for increasing agricultural production. Certain forest land and certain less fertile lands, which were available, could be brought under cultivation with the help of tractors and bulldozers. Government should undertake the work of levelling, tractorisation and bunding on a large scale, as it was not within the means of agriculturists to go in for these costly machines. The Chief Minister also suggested the need for setting up of more fertiliser factories and in the meanwhile, it was necessary to import fertilisers in order to raise agricultural production. On the question of resource mobilisation, he assured the Council that the Maharashtra Government would do its best to raise resources to the extent expected of it. He stated that the Centre should also tap such sources as additional Central excise and the Central sales tax as these were the best potential for tax receipts.

24. **Shri D. P. Mishra**, Chief Minister of Madhya Pradesh, stated that in view of the need for making the Plan defence-oriented, his State would, in spite of difficulties, accept the priorities indicated by the Planning Commission and would also try to raise resources to the extent expected of it. He stressed that the Plan should be a real defence-oriented Plan so that the country should be able to meet the challenge of external aggression with confidence. He suggested that the Prime Minister should be fully empowered to scrutinize the Plan and to see that only those items which help raise agricultural production were kept in the Plan and others were eliminated. If the people were enthused and the awareness that the country was at war was created, then much of their clamour for other demands would cease. The entire nation would be prepared to make any sacrifice demanded of it. The Centre and the States should concentrate in the next Five Year Plan period on developing industries which produced defence requirements and support defence and on increasing agricultural production. The Chief Minister stated that Madhya Pradesh had a great potential for increasing agriculture and if it was allowed to develop agriculture within the next five years, the whole country would benefit.

At this stage the meeting adjourned for the next day.

25. Resuming the discussion on September 6, 1965, the **Prime Minister** first gave an account of the further developments which had taken place during the preceding twenty-four hours across the border consequent on Pakistan's aggressions. He called upon the State Governments to take all security measures and all necessary defence measures immediately. The people would have to be prepared for sacrifices and have to cut down consumption, whether it was food or other necessities of life. He was confident that the country would make the necessary response. In view of the new situation which had developed and when the country was engaged in meeting external aggression, the Chief Ministers expressed the view that the Council need not spend time in detailed discussion on the various aspects of the Plan and decided to leave it to the Prime Minister to reorient, alter or amend the Plan as necessary to meet the emergent situation and safeguard the country's security and long-term interests.

26. The Prime Minister then summed up the discussion by saying that the size of the Fourth Five Year Plan may be taken to have been approved by the Council at Rs. 21,500 crores and also the sectoral allocations as proposed in the Planning Commission’s paper on Resources, Outlays and Programmes' may be taken to have been broadly accepted subject to appropriate revisions being made in the light of defence needs and requirements so as to make the Plan defence-oriented. He also referred to the paper on the Export Programme for the Fourth Plan which had been circulated and stated that the draft policy statement on export promotion should be taken to have been approved by the Council with such modifications as the Chief Ministers might wish to communicate to the Planning Commission. He also referred to the suggestion made by the Maharashtra Chief Minister regarding the appointment of a Committee consisting of some State Chief Ministers, some Central Ministers and some one from the Planning Commission to look into the staffing pattern, procedural delays, etc. The Prime Minister suggested that this could be considered later.

27. **Shri T. T. Krishnamachari**, Union Finance Minister, informed the Council that the question of levying certain taxes under Article 269 of the Constitution was under examination. He also referred to a recent decision by a High Court which had held that sales tax could not be levied on controlled commodities. In view of the High Court's finding the question whether a constitutional amendment was necessary was being examined in consultation with the Law Ministry. Referring to the observations made by certain members in regard to the earmarking of some foreign exchange for the States, the Finance Minister stated that the foreign exchange resources which were already scarce might become still more difficult. As regards internal resources, much greater efforts would have to be made as considerable funds would be required for maintaining civil life. One of the things which would have to be cut down drastically was the building programme as large quantities of cement would be required for defence purposes. He indicated that he would be shortly communicating to the State Governments the steps that would be required to be taken with regard to saving of essential commodities required for defence purposes. He also hoped to communicate shortly to the State Governments the recommendations of the Finance Commission and also the decision of Government thereon. He informed the Council that he had made note of the various points made by the Chief Ministers and would have them examined.

28. The Council thereafter adopted the following Resolution:

"The National Development Council resolves that the overall size of the Fourth Five Year

Plan should be of the order of Rs. 19,000 crores investment plus current outlay of Rs. 2,500 crores on the basis of the 1963-64 price level. It recognises that in order to advance towards achieving the largest degree of self-reliance and to fulfil by 1975-76, the objectives outlined in the Congress Party's declarations, the country has to undertake an investment of this magnitude in the Fourth Five Year Plan.

The Council realises that the large investment made in the last three plans has not improved the standard of living of the mass of the people in the measure that was required or anticipated. This has been due in part to a more rapid increase in population and in part to an inadequate increase in agricultural and industrial production. Together with the additional burdens of defence expenditure imposed on the nation since the Emergency in 1962, these factors have caused internal prices and costs of living to rise to levels which are proving onerous to large sections of the community.

These problems have to be tackled resolutely in the Fourth and succeeding five year plans. One of the urgent problems to be grappled with for this purpose is the effective control of population growth. The Plan allocations accordingly provide for the maximum possible effort for educating the country on the subject of family limitation and for organising an effective programme to achieve the objective of rapid reduction of birth rates.

The rise in prices has mainly been due to shortfalls in agricultural production, basically of foodgrains and also of cash crops like cotton, oilseeds, etc. The rise in prices of basic commodities had its inevitable reaction on the prices of all goods and on the general cost of living. To deal with this problem the Fourth Plan has to give the highest priority to agricultural production and avoid inflationary financing altogether in the scheme of mobilisation of resources.

The continued growth of industrial production at a satisfactory rate, at this stage of our development, depends very much on the availability of foreign exchange to import machinery and industrial raw materials and components. All possible efforts should be made to secure the maximum increase of our export earnings and to reduce our dependence on imports of items such as machinery, metals and fertilizers, by promoting their domestic production. The Council recognises, however, that with increase in industrial production as planned there would necessarily be an increase in imports of various kinds of materials, some of which are not available at all in the country and others not produced in large enough quantities.

The Council is of the view that taking into account the need for imports of substantial quantities of machinery and equipment to meet the requirements of plan projects as well as the large obligations on account of repayment of foreign loans and interest charges during the Fourth Plan, the quantum of foreign assistance for the Fourth Plan will have to be substantially larger than in the Third Plan. The assistance that will be available will depend largely on the goodwill and ability of friendly foreign countries and our earnestness and determination to take all effective measures, within our competence, to implement the Plan.

The Council makes an appeal to workers in farms and factories to contribute their share for the success of the Plan in a disciplined way and to put forth their best effort despite the difficult conditions in which they have to work. To those sections of the community which are better off, the Council makes an appeal to restrain expenditure and avoid conspicuous consumption and waste.

They have to accept a much larger share of contribution to the national effort both in the interest of the community at large and their own self-interest.

The Council feels confident that, at this time, when the country is engaged in meeting the challenge of serious external threats and has to undertake massive efforts for development, the Nation will rise to the occasion and demonstrate its inherent strength and solidarity. The Council authorises the Chairman to reorientate, alter and amend the Plan as necessary to meet the emergent situation and safeguard the country's security and long-term interests".

PARTICIPANTS

PLANNING COMMISSION

Shri Lal Bahadur Shastri Prime Minister	.. .. ..	Chairman
Shri Asoka Mehta	.. .. ..	Deputy Chairman
Shri Gulzarilal Nanda	.. .. ..	Minister of Home Affairs
Shri T.T. Krishnamachari	.. .. ..	Minister of Finance
Sardar Swaran Singh	.. .. ..	Minister of External Affairs
Shri C. Subramaniam	.. .. ..	Minister of Food & Agriculture
Shri T.N. Singh	.. .. ..	Minister of Industry
Prof. P.C. Mahalanobis	.. .. ..	Member (PP)
Prof. M.S. Thacker	.. .. ..	Member (NR)
Shri Tarlok Singh	.. .. ..	Member (A & T)
Shri V.K.R.V. Rao	.. .. ..	Member (AE & IT)
Shri S.G. Barve	.. .. ..	Member (Ind)
Shri Bali Ram Bhagat	.. .. ..	Minister of Planning.

STATES

Andhra Pradesh	.. .. ..	Shri K. Brahmananda Reddy, Chief Minister
		Dr. M. Chenna Reddy, Finance Minister
Assam	.. .. ..	Shri B.P. Chaliha, Chief Minister
		Shri Fakhruddin Ali Ahmed, Finance Minister
		Shri K.P. Tripathi, Planning Minister
Bihar	.. .. ..	Shri Krishna Ballabh Sahay, Chief Minister

		Shri S.N. Sinha, Agriculture Minister
		Shri M.P. Sinha, Irrigation Minister
		Shri Ramlakhan Singh Yadav, P.W.D. Minister
Gujarat	.. .. ..	Shri Balvantray Mehta, Chief Minister
		Shri Maldevji M. Odedra, Dy. Minister (Planning)
Kerala	.. .. ..	Shri A.P. Jain, Governor
Madhya Pradesh	.. .. ..	Shri D.P. Mishra, Chief Minister
		Pandit Shambhu Nath Shukla, Finance Minister
		Shri Mishri Lal Gangwal, Planning Minister
		Shri Gautam Sharma, Food Minister
Madras	.. .. ..	Shri M. Bhaktavatsalam, Chief Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
		Shri S.K. Wankhede, Finance Minister
		Shri G.D. Patil, Dy. Minister (Planning)
Mysore	.. .. ..	Shri S. Nijalingappa, Chief Minister
		Shri Ramakrishna Hegde, Finance Minister

Nagaland	.. .. ..	Shri P. Shilu Ao, Chief Minister
Orissa	.. .. ..	Shri Sadasiva Tripathy, Chief Minister
Punjab	.. .. ..	Shri Ram Kishan, Chief Minister
		Shri Kapoor Singh, Finance Minister
		Shri Ajmer Singh, Planning Minister
Rajasthan	.. .. ..	Shri Mohanlal Sukhadia, Chief Minister
		Shri Mathuradass Mathur, Planning Minister
Uttar Pradesh	.. .. ..	Smt. Sucheta Kripalani, Chief Minister
		Shri Kailash Prakash, Finance Minister
West Bengal	.. .. ..	Shri P.C. Sen, Chief Minister
		Shri T.K. Ghosh, Industries Minister
		Shri S.K. Mukherjee, Finance Minister

UNION TERRITORIES

Goa, Daman & Diu	.. .. ..	Shri Dayanand B. Bandodkar, Chief Minister
Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister
Pondicherry	.. .. ..	Shri V. Venkatasubba Reddiar, Chief Minister

		Shri A.S. Kankeyan, Finance Minister
Tripura	.. .. ..	Shri S.L. Singh, Chief Minister

UNION MINISTERS

Smt. Indira Gandhi	.. .. ..	Minister of Information and Broadcasting
Shri. S.K. Patil	.. .. ..	Minister of Railways
Shri Asoke Kumar Sen	.. .. ..	Minister of Law & Social Security
Shri Y.B. Chavan	.. .. ..	Minister of Defence
Shri N. Sanjiva Reddy	.. .. ..	Minister of Steel & Mines
Shri Humayun Kabir	.. .. ..	Minister of Petroleum & Chemicals
Shri M.C. Chagla	.. .. ..	Minister of Education
Shri D. Sanjivayya	.. .. ..	Minister of Labour & Employment
Shri Mahavir Tyagi	.. .. ..	Minister of Rehabilitation
Shri Mehr Chand Khanna	.. .. ..	Minister of Works & Housing
Shri Manubhai Shah	.. .. ..	Minister of Commerce
Shri Raj Bahadur	.. .. ..	Minister of Transport
Shri S.K. Dey	.. .. ..	Minister of C.D. & C.
Dr. Sushila Nayar	.. .. ..	Minister of Health
Shri K. Raghu Ramaiah	.. .. ..	Minister of Supply
Dr. K.L. Rao	.. .. ..	Minister of Irrigation & Power
Smt. M. Chandrasekhar	.. .. ..	Dy. Minister of Social Security

SPECIAL INVITEE

Shri M.R. Bhide	.. .. ..	Dy. Governor, Reserve Bank of India.

TWENTYTHIRD MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : AUGUST 20 AND 21, 1966

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTYTHIRD MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

ITEM I — DRAFT OUTLINE OF THE FOURTH FIVE YEAR PLAN*

ITEM II — DETERMINATION OF PRINCIPLES OF ALLOCATION OF CENTRAL ASSISTANCE TO STATES IN THE FOURTH FIVE YEAR PLAN

In reply to the letter of Secretary, Planning Commission dated January 15, 1966 (Annexure I) all State Governments except Jammu & Kashmir and Nagaland, have indicated their views. The main points in these replies have been indicated in the statements enclosed (Annexure II). These have been carefully considered in the Planning Commission and the following principles are suggested for the consideration of the National Development Council:

1. On the basis of the States' Fourth Plan outlay and the scheme of financing indicated in the Draft Outline of the Fourth Five Year Plan (Chapters III & IV, respectively), a very tentative estimate of overall Central assistance that may be made available to States' Fourth Five Year Plans is Rs. 3,500 crores.

2. A substantial portion—of the order of 70% of this amount—may be allocated to individual States on the basis of population.

3. From the balance of the amount available for Central assistance to States, it will be necessary to grant additional assistance to States of Nagaland, Jammu & Kashmir and Assam, which have special problems of development, including special programmes for the development of hill and border areas and tribal areas. The remaining amount will be utilised for supplementary assistance to other States to make up any serious lags in development in important sectors.

4. In the allocation of Central assistance to States, patterns of assistance play an important role. For the Fourth Five Year Plan, the patterns which are in vogue will be reviewed carefully and will be restricted to a smaller number of high priority schemes/projects/programmes.

During the Third Five Year Plan, Central assistance for Agricultural programmes and for selected irrigation/river valley/power projects was earmarked. Within the Central assistance as worked out for individual States, under para 2 above, assistance will be continued to be earmarked for key agricultural programmes and selected irrigation/river valley/power projects and inter-State transmission lines.

5. As stated in Chapter III of the Draft Outline of the Fourth Five Year Plan, a final view has yet to be taken on the classification of Plan schemes as between Centrally sponsored, Centrally aided and State Plan schemes. The outlay on State plans under the Fourth Five Year Plan as indicated in the draft, is based on the classification of Centrally sponsored schemes as discussed with the Central Ministries. On a reference from the Planning Commission, the State Governments have indicated their views. The broad approach of the Planning Commission is that principal criteria for

*The document has been published separately.

classification of Plan schemes as Centrally sponsored might be:

(i) A limited number of important schemes to be implemented as matters of national policy—such as Family Planning, Resettlement of landless agricultural workers;

(ii) Schemes such as those for specialised research and training which would benefit more than one State or might be of all-India significance;

(iii) Pilot projects for research and development;

(iv) New schemes introduced after the Plan has been finalised.

6. Details will be worked out in the light of discussions at the National Development Council.

ITEM III — IMPLEMENTATION OF LAND REFORMS – A REVIEW*

*The document has been published separately.

ANNEXURE I

COPY OF LETTER NO. PC(P)1(4)/66 DATED NEW DELHI, JANUARY 15, 1966 FROM SHRI G. R. KAMAT, SECRETARY, PLANNING COMMISSION, GOVERNMENT OF INDIA TO THE CHIEF SECRETARIES OF STATE GOVERNMENTS.

SUBJECT.—Determination of principles for the allocation of Central assistance for States in the Fourth Five Year Plan.

During the discussions between State Governments and the Planning Commission in June and July, 1965 on the preliminary memoranda on the States' Fourth Five Year Plan, Chief Ministers of some State Governments suggested that a set of principles be evolved which should govern the allocation of Central Assistance to the States for the Fourth Five Year Plan. Similar requests have again been made during the discussions on the Annual Plan for 1966-67. It is accordingly proposed to prepare a paper on this subject which will be placed before the next meeting of the National Development Council.

2. While the National Development Council does not appear to have considered this question specifically, there have been discussions in the past as to the considerations which should be taken into account in determining the State outlays. The outlays, so arrived at, together with the estimates of resources that the States can themselves make available towards the Plan, generally formed the basis of allocation of Central assistance. As an illustration of the considerations which were taken into account in recommending State outlays, a reference is invited to the paper prepared by the Planning Commission on "Determination of Outlays for States in the Third Five Year Plan" and placed before the sixteenth meeting of the National Development Council. A copy of this paper is enclosed (Appendix). This paper broadly indicates the considerations that were taken into account in determining the magnitudes of Third Plan outlays for each State. Certain additional data may now become available as to State incomes for commodity producing sectors (on income originating basis) for the years 1960-61—1962-63. Information has also been collected for identification of backward areas in different States, which may need special attention. It has to be considered as to how far this additional data could be utilised in determining the State outlays and/or the Central assistance for the Fourth Plan.

3. Before formulating the recommendations on this subject, for being placed before the National Development Council, the Planning Commission desires that the views and the suggestions of the State Governments be ascertained. I am to request you accordingly to communicate to the Commission, at an early date, the views and suggestions of your Government on the principles which should govern the allocation of Central assistance to the States for the Fourth Five Year Plan.

APPENDIX

COPY OF A PAPER SUBMITTED TO THE 16TH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL HELD ON SEPTEMBER 12 AND 13, 1960

Considerations governing State outlays in the Third Plan

1. Outlays for the Third Plan for each State will have to be arrived at after study of its needs and problems, past progress and lags in development, likely contribution to the achievement of major national targets, potential for growth and the contribution in resources which the State is able to make towards its development plan. In assessing needs and problems such factors as population, area, pressure on cultivated land, extent of commitments carried over from the Second Plan, commitments on account of large projects and the state of technical and administrative services available, will have to be taken into account. Due attention will have to be given both to national and to State priorities. It will, of course, be necessary to guard against those States whose resources are unavoidably small being required to undertake development on a scale which may be altogether insufficient. At the same time, States which are able and willing to make a bigger effort in mobilising their own resources can legitimately expect this factor to be taken into account in determining their outlays for the Third Plan.

2. Apart from factors such as population and area, which are specially relevant to a general assessment of economic conditions in each State, the following might be the main guiding considerations which could be studied in the context of different States and in consultation with them with a view to determining the financial dimensions and physical targets of their plans.

(i) **Completion of projects under execution—**Amounts necessary for the completion of projects under execution at the end of the Second Plan have to be provided as a prior charge.

(ii) **Provisions for utilising existing assets and services—**In the interest of the economy of the State as well as of national development that provision should be made for expenditures needed for securing the full benefits of assets and services which have been created during the First and Second Plans, e.g., under irrigation, power etc.

(iii) **Provisions for basic national targets in the Third Plan—**Among the economic targets of the Third Plan, those which specially concern development in the States are (a) speedy increase in agricultural production, (b) expansion of employment opportunities through the intensive development of village and small industries as well as other industries and works for the fullest possible utilisation of manpower resources in rural areas.

Among the social objectives, the imperatives are (a) fulfilment, within the limits of physical capacity, of the target for free and universal eduction for the age group 6-11 years, and (b) provision of minimum amenities to rural areas, including water supply, approach roads and school buildings.

(iv) **Power Development—**The Third Plan has a large provision for power (Rs. 925 crores) of which, after allowing for nuclear energy the tentative estimate for the State plans is placed at about Rs. 800 crores, which is about twice the provision in the Second Plan. The power programme is linked with the fulfilment of major industrial targets and programmes and also provides for general industrial development in different States. The provisions needed for power development in each State have, therefore, to be given a high priority in the State Plan.

(v) **Making up for development lags in the Second Plan—**In many States, in the Second Plan there have been sectors in which progress has lagged behind. This is specially true of the relatively less developed States. It is important that all such deficiencies should be carefully identified and a view taken as to the extent to which the Third Plan should devote special attention to them. In making up for such deficiencies, it is necessary to assess their relative importance for the Third Plan and also, to the extent possible, to take a view of the future pattern of economic growth towards which the economy of each State should be progressively oriented.

(vi) **Unemployment, under-employment and regional backwardness—**Some States have areas which are definitely less developed than others and call for measures of development over and above those proposed for the State generally. Frequently these are also the low income areas of the State and suffer from a great deal of under-employment. There are other States in which unemployment among sections of the educated is either a serious or a growing problem. In considering the distribution of outlays in the State Plan these aspects of development should receive adequate attention.

(vii) **Provisions relating to the conservation of natural resources—**In the past perhaps enough attention has not been given to such aspects of resource conservation as anti-waterlogging, drainage, measures for preserving soil fertility, afforestation and exploitation of forests. It is proposed that from the point of view of long-term development, both regional and national, these aspects should now be given special consideration in determining the financial provisions in the plans of States.

3. The application of the considerations mentioned above in the case of individual States will not be by any means an easy task. Any attempt to indicate levels of outlays in advance of the discussions with the State Governments will necessarily lead to undue rigidity and will divert attention from the objective examination of the basic requirements of development in each State which is essential for sound planning. Such examination is best undertaken in co-operation with each State Government and in recognition of the fact that while vital targets have to be assured at all costs, there has necessarily to be a degree of selection among priorities of the second and third order, and that if resources are spread too thinly among diverse projects and schemes, in the total the results obtained will be inadequate. In the first phase of work, the plans of States will be considered only in their broader aspects. This will be followed by a closer study by each State Government of the appropriate phasing of projects and outlays, with due regard to the requirements of physical planning, the need to complete projects under execution as speedily as possible, and to ensure that at each stage of investment the maximum benefits possible are secured.

4. Discussions regarding financial resources of States, which are at present in progress, will conclude by the middle of September. The results of these discussions will no doubt be reviewed by State Governments with reference to their plan proposals. At a later stage in the work of finalising State plans it should be possible to come to agreed conclusions regarding the resources to be found by each State under different heads and the amounts which the Central Government would endeavour to provide over the period of the plan, subject naturally to considerations of the overall economic and financial situation from year to year and the requirements of the annual plans.

September 6, 1960.

Annexure II

Principles for determination of Central Assistance to States in the Fourth Plan

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
1. *Andhra Pradesh*	1. Third Plan principles modified by consideration of *per capita income* which is a better indicator of needs than population 2. *Plan performance* in various sectors of development.	1. Three factors : (a) Levels of development reflected by *per capita* income. (b) State resources on the basis of taxation level in the region.	1. Additional resources mobilisation to be judged with reference to taxation level in the region. 2. Compard with industrialised States, agricultural States like Andhra Pradesh are at a disadvantage in raising resources.
	3. *Backward areas* in each State, e.g., chronically drought affected areas.	(c) Performance in the Third Plan.	
	4. *Total investment* including Central and private investment in each State.	2. Higher Central assitance if Central investment in the State is less.	
	5. To maintain continuity, sufficeint number of new irrigation and power projects should be included in a State's Fourth Plan.	3. Big irrigation and power projects should be taken over by the Centre.	
2. *Assam*	The State Government has not discussed the general principles of allocation of Central assistance to States. The reply of the State Government mainly relates to the particular problems of the area, and the Plan outlay and Central assistance to be given to Assam. The Fourth Plan outlay for Assam State should be based on (i) needs and problems of the State, e.g. development of communications, transport etc., (ii) performance under the three Plans, (iii) growth potential, and (iv) contribution to national targets, etc. The Central assistance to the State should be 90% of the Plan outlay.		

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
3. *Bihar*	No reference	1. Population not the sole criteria, other relevant factors, are :– needs, growth potential, contribution to national targets in key sectors, etc. 2. *Minimum per capita* Central assistance to be assured to each State, but *weightage* should be given : (a) 50% more for scheduled tribes and scheduled castes population; and (b) 25% more for other backward classes. 3. Special contribution to be given for sparsely populated areas. 4. Central assistance for key projects both for State's as well as national economy should be earmarked.	State Govt. should raise resources according to the policy of the Plan.
4. *Gujarat*	No reference	The State Government is critical of the manner of allocation of central assistance in the Third Plan. States which failed to raise agreed amount of resources were allocated higher Central assistance. 1. In determining the Central assistance for a State's Fourth Plan, account has to be taken of :— (a) the tax effort of the State Government during and at the end of the Third Plan; and (b) the additional tax effort in the Fourth Plan having regard to All India average incidence of State taxes.	Mentioned in col. 3.

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
		2. Due allowance to be accorded for the backwardness of a State in development of (a) Irrigation; (b) Communications; and (c) Water Supply.	
5. *Kerala*	1. The State Plan outlay should be related to the needs and problems of each State and should seek to remove the widening disparities in the levels of income and standards of living among different States. 2. In determinign the State Plan outlays, account should also be taken of the allocation among the States of total investment under the Fourth Plan.	Central assistance should be the difference between the Plan outlay to be determined on the basis of principles indicated in Col. 2 and State resources.	Each State should make maximum effort to raise resources.
6. *Madhya Pradesh*	The State's reply relates to certain general considerations and to a few specific considerations to be given to Madhya Pradesh. The general principles for determination of Plan outlay are : (a) Population; (b) Area; (c) Spillover Projects; (d) Special needs; (e) Fuller utilisation of existing services and assets; (f) Removal of disparities in the level of economic and social development among States.	Central assistance should be the difference between the plan outlay to be determined on the basis of principles indicated in Col. (2) and State resources.	The State's reply does not deal with the general principles for determining State's resources but refers to the backwardness of the State's economy limiting its capacity to raise resources. The vicious circle can be broken by initial heavy dose of investment.
7. *Madras*	1. During the Fourth Plan, each State should attain a minimum rate of growth envisaged in the National	1. Central assistance for individual State Plans cannot be determined merely on techno-economic	1. Every State should make maximum effort in raising resources.

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
	Plan. Allowance must be made for special constraints in each State e.g., pressure of population.	considerations as politico-economic considerations in the federal set up of the country are equally important.	
	2. While it is desirable that each State should get a fair share in the toal investment (Private & Public sectors including defence outlay), at least an equitable share of Central investment among the State should be made. 3. Performance in the Third Plan. 4. In the determination of State's Fourth Plan outlays, while weightage should be accorded on account of backwardness of an individual State, it is not possible to assess backwardness on the basis of an estimate of State income and other indicators of development.	2. In fixing Central assistance for a State Plan, due allowance should be given to— (a) Revenue surpluses accruing to certain States from the Fourth Finance Commission's Award; and (b) States making larger contribution to Sinking Funds (Para 114 of the Fourth Finance Commission's Report).	2. Account should be taken of varying budgetary practices in States, e.g., (a) *Contribution to Sinking Funds :* While in many States only nominal appropriation is made, in some other States apart from providing fully for amortisation of their public debt obligations, large amounts are invested in securities not available for financing the Plan (Para 114 of the Fourth Finance Commission's Report). (b) *Local Bodies' Funds :* While some States utilise the Local Bodies' surplus resources kept with the State Govts. for financing the Plan, in other States such funds which are kept in Co-operative Banks and other institutions are not available for this purpose.
8. *Maharashtra*	1. The State Government is critical of the manner in which State's Third Plan outlays were determined on an *ad hoc* basis.	1. The State Government is critical of the manner of allocation of Central assistance in the Third Plan. States with lower resources were allocated higher Central assistance.	

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
	2. The Fourth Plan outlay for individual States should be determined with reference to :— (a) State resources, (b) Cental assistance allocated on the basis of the objective criteria indicated in col. 3. 3. The objectives of productivity and equity are important in the determination of Plan outlays. However, in the short run the objective of productivity should get precedence over the objective of equity which can be realised over a long period. 4. The rate of growth of relatively advanced states should not be slowed down.	2. Central assistance for the Fourth Plan should be determined on the basis of the following objective criteria :— (a) 80% on the basis of population as it reflects the needs of the people and liabilities of investment particularly in Social Services Sectors. (b) 10% on the basis of area; and (c) 10% on the basis of economic and social backwardness determined by 8 indicators. (i) *per capita* consumption level, (ii) *per capita* income in Agriculture, (iii) irrigation facilities, (iv) technical Education, (v) health facilities, (vi) road mileage, (vii) rural electrification, and (viii) urban population. The State Govenrment does noot consider *per capita* State ncome as a reliable indicator of backwardness. 3. Revenue surpluses accruing to certain States on the basis of the recomendations of the Fourth Finance Commission should not be taken into account. 4. Central assistance for State Plans is not a proper medium for rectifying disparities in development among the States. The promotion of balanced regional development among the State should be attained through the implementation of Centrally sponsored schemes in particular sectors and location of Central projects in backward States.	

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
9. *Mysore*	1. The State Government agrees to the general principles for determination of State Plan outlays indicated in the Planning Commission's paper of September, 1960. 2. Lack of State resources should not influence the size of the State Plan which should be determined by the minimum needs of development of a State.	The order of Central assistance should be such as would ensure with State resources, the Plan outlay determined on the basis of the considerations indicated in col. 2.	1. Every State should exert as far as possible to raise maximum resources. 2. The scope for mobilisation of additional resources in Mysore is limited due to scarcity conditions and the high level of incidence of taxation.
10. *Orissa*	The State Government attaches the highest importance to the determination of Plan outlays. The determinants are :— 1. An overall view to be taken of the likely investment in the State's economy—(both in public and private sectors). 2. The Plan outlay should be so determined that regional disparities among States are removed. To this end rate of growth to be ensured by total investment—(Private and Public Sectors). In case private sector investment is not forthcoming it should be made good by Central sector investment. 3. Central sector investment to be determined carefully by the N.D.C.; after allowing for essential needs of the Central sector, resources of the Centre will be available as assistance to States.	Central assistance should be the difference between the Plan outlays as determined on the basis of considerations indicated in col. 2 and the State resources as assessed in the manner indicated in col. 4.	1. The State resources to be worked out by consultation between the Planning Commission and the States. 2. The States should mobilise additional resources according to the All India Policy indicated in the Plan. 3. A certain measure of parity should be brought about among States in regard to land tax, Rates of Sales Tax, Electricity duty etc.

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
	The total of these Central resources and State resources will constitute the total pool of resources for financing the States' Plan outlays. 4. The allocation of the total resources among States to be governed by two sets of schemes. (a) *Priority 'A' Schemes—(i)* Completion of incomplete projects, (ii) utilisation of natural resources, (iii) achievement of agricultural targets, (iv) utilisation of assets already created—Irrigation, Power Projects, ports, etc., (v) achievement of minimum national targets under Education and Health including Family Planning. (b) *Rest of the Schemes*—After making the full provision for priority 'A' schemes, the balance may be distributed on the basis of *(i)* per capita consumer expenditure in each State, and (ii) proportion of the backward classes population.		
11. *Punjab*	The State Government has not dealt with the general principles for allocation of Plan outlays and Central assistance to States. In the reply the State Govenrment, in the main, has dealt with the particular considerations to be given to Punjab which is a border State. It is also stated that the State's growth potential in Agriculture and its problems of floods and water-logging should be given due consideration in fixing the Plan outlay and Central assistance. Weightage should be given to a State like Punjab in the allocation of Central assistance if investment in Central sector projects is relatively small.		
12. *Rajasthan*	1. The State's Plan outlays should be fixed on the basis of their physical needs. 2. In the allocation of Plan outlays and Central assistance special consideration should be given on account of border, hill and desert	Central assistance should be the difference between the Plan outlay determined by considerations indicatd in col. 2 and State resources as assessed on the basis indicated in col. 4.	1. an independent assessment of the resources of each State should be made by the Planning Commission having due regard to the Award of the Fourth Finance Commission. 2. Due note should also be taken of the potentialities of non-tax revenue in

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
	areas; Scheduled tribes and scheduled castes population, weak cooperative structure, low level of industrial development and social services. 3. Neither the *per capita* State income nor indicators of regional development provide a reliable basis for fixing the State plan outlays.		each State. 3. In the mobilisation of additional resources, a regional approach should be adopted.
13. *Uttar Pradesh*	1. Commenting on the principles for determination of Plan outlays indicated in the Planning Commission paper of September 1960, the State's reply refers to the difficulty in objective application of these principles. 2. In determining the outlay for a State's Fourth Five Year Plan, a view has to be taken of the likely investment in a State's economy out of the total investment (Private and Public) under the Fourth Plan. 3. A State's Plan outlay should be influenced by its contribution to financial resources.	1. Central assistance should be such as would ensure the desired level of *per capita* investment in each State. 2. States having larger share in Central and private investment should get smaller quantum of Central assistance. 3. Subject to their implementing capacity, the backward States should get proportionately larger share in the total Central assistance even at the cost of other States.	1. Maximum efforts should be made by the States to raise resources. 2. In the mobilisation of additional resources, due regard should be given to the prevailing rates of taxes in the neighbouring States. 3. *Per capita* tax effort is not an appropriate criterion for determining the target of additional resources to be raised by different States, as States with a low *per capita* State income will have a lower yield 4. Agricultural States are at a disadvantage in raising resources.
14. *West Bengal*	1. Disparities in the levels of development among the States in a few sectors—Agriculture, Education, Health etc. have been largely removed during the three Plans. 2. Plan allocations may be deter-	1. Total Central assistance should be distributed among the States on the basis of population. 2. Revenue surpluses accruing to States under the Fourth Finance Commission's Award as	1. The estimate of balance from current revenues, made by the Fourth Finance Commission should be accepted as final to be modified only if later developments, e.g., sanction of additional D.A. to State employees etc., justified it.

States	Plan Outlay	Central Assistance	State Resources
1	2	3	4
	mined on the basis of population which broadly reflects the needs of the people. 3. State resources rather than Central assistance should be the balancing factor in determining Plan outlays, This would encourage self reliance on the part of a State.	indicated below should be treated as Central assistance and added to the total assistance avaialble for distribution among the States : (Rs. crores) Bihar 89.25 Gujarat 8.00 Maharashtra 215.66 Punjab 29.83 Uttar Pradesh 17.02 West Bengal 13.97 373.73	2. Mobilisation of additional resources by a State should be related to the level of taxation reached at the end of Third Plan. In this respect, the proportion between *per capita* tax incidence and *per capita* State income should be reckoned.

SUMMARY RECORD

Welcoming the State Chief Ministers and others, the **Prime Minister** said that the National Development Council was meeting after nearly a year. It had been a year of abnormal difficulties. The Plans had helped to sustain us through this time of adversity. There was a great deal of criticism not only of planning itself but specifically of the structure of our Plans. It was true that there were areas in which we had not done well, sometimes through force of circumstances beyond our control, sometimes due to our failures and mistakes. But in spite of this, the Plans had given a better base for development in India. As such, she said, we would be less than fair to ourselves if we did not, while admitting our failures, recognise also the very great achievements of the Plans. India was a very large country of great diversity and the problems facing it were exceedingly complex. These could not be solved in a few years, but she had no doubt that given time and dogged determination no task was too difficult. While we must try to solve some of the immediate problems facing the people, it was also necessary to take a long-term view. The problem to be considered was not merely whether a particular figure quoted with regard to the size of the Plan was big or small, but to analyse seriously the real potential of our economy reckoned in physical terms, the country's natural and human resources and also our ability to mobilise them effectively. Naturally the financial aspect was there and could not be ignored, but figuring it out merely in financial terms did not give a clear enough understanding of what would constitute the major bottlenecks in achieving the different targets. While all agreed that the greatest emphasis should be given to agricultural production and this was the first essential and without it progress could not be made in other directions, at the same time industrial production could not be altogether ignored. Even agriculture needed industrial production and the urgent needs of defence were also dependent on industry.

2. The Prime Minister pointed out that the Plan could not possibly meet all the demands of the States. These demands were considerable, but if we tried to pick out the essentials and see how far we could meet those demands, there was a greater chance of success.

3. The Prime Minister observed that it was essential to lay far greater stress on the implementation of whatever tasks we set ourselves. Although the economic position during the present period had to be considered, it had also to be considered what effect our present actions would have on the next Plan, because we could not afford to come to a dead stop suddenly after the Fourth Plan and be in difficulties with the Fifth Plan. That was one of the points which must be taken into consideration.

4. The Prime Minister stated that there was a certain amount of cynicism in the public. The way our Plans and programmes were presented must take that into account. The Plan should give a picture of faith, hope and confidence—something which could inspire people—because without people's participation it would not be possible even to achieve a very small plan. Since a bigger goal was being attempted, we must get the people's participation and make them feel that although there were some difficulties the goal was not something which was up in the air but was very much concerned with every family and that through this process we wanted to give social justice and at least lessen the existing inequalities. Economic development was itself a means to reducing inequalities.

5. Referring to the need for a flexible plan, the Prime Minister mentioned that she had asked the Planning Commission to keep in view the possibility that outside resources might not be available

in the measure assumed. The country should be prepared for any unforeseen eventuality. Our planning should also keep in view the needs of defence and how it could help us if a difficult situation arose.

6. The Prime Minister stressed the need for a reaffirmation of the basic policies. This whole problem had to be looked at not merely from the point of view of specific schemes but we should be able to dovetail these different schemes and projects into a national plan and have a national outlook so that each one of us, whether from different States or concerned with different subjects, could look at it not subject-wise or State-wise but from the point of view of the general development of the country and the general well-being of the people.

7. **Shri Asoka Mehta**, Deputy Chairman, Planning Commission, stated that last year the National Development Council had considered and approved the Plan frame that had been presented. At that time the National Development Council had directed that the plan programmes should be suitably modified to meet the requirements of the country's security and that agriculture should be given top priority. In the intervening twelve months, the country had to face a series of difficulties with the result that economy suffered severe stresses and strains. The costs had gone up and a searching look had to be given to the Plan provisions that had been made in the document "Fourth Five Year Plan-Outlays, Programmes and Resources" that had been considered last year. Even in that document compared to the earlier document "Memorandum on the Fourth Five Year Plan" which had been considered in the National Development Council in September 1964, the programmes had to be cut down by about Rs. 1000 crores. As a similar situation continued and prices had continued to rise, the programmes that had been indicated last year had to be further reduced. The reduction would be of an order larger than Rs. 1000 crores this time even though in terms of financial targets the Plan would appear to be somewhat bigger. In terms of actual contents, efforts had been made to make full provision for increases in prices and increase in costs resulting from devaluation. Care had, however, been taken to see that agricultural programmes and other key programmes did not suffer. The Prime Minister had pointed to the necessity of safeguarding not merely the Fourth Plan but also the Fifth Plan and the Sixth Plan. It was clear that we had been compelled to postpone many of the schemes that needed to be undertaken because the Plan size had to be considerably reduced compared to the earlier figure, thus adding to the difficulties for the Fifth Plan. It would, therefore, be necessary to give another look after a year or two and if the economy was able to pick up and became more buoyant, it might be possible to take up some additional programmes which would be so essential for the Fifth Plan. In the agriculture sector, the total investment, taking not only the direct investment in agriculture but also the indirect investment e.g., in power needed for agriculture or in industry needed to increase agricultural inputs, would be of the order of about Rs. 5000 crores. This would give some indication of the importance that had been attached to agriculture. Similarly in irrigation, while a little over Rs. 900 crores was available for irrigation and flood control, if all the provisions that had been made for minor irrigation and for rural electrification were included, the total provision for irrigation from various sources would be somewhere in the neighbourhood of Rs. 1900 crores. The Planning Commission had tried to allocate as much resources as was possible for programmes of high priority. For instance, for rural water supply, as against Rs. 52 crores, which had been utilised in the Third Plan, the Fourth Plan provision was Rs. 163 crores, and including what the community would be investing, this would come to Rs. 200 crores or more. In various directions, proportionately larger increases had been made in the more important sectors of the national economy. As the Prime Minister had pointed out, the Plan demanded proper and speedy implementation of plan programmes, maximum mobilisation of resources and utmost economy on the one side, and a very careful scrutiny in selecting priority

programmes for which resources had to be found on the other. The ultimate programmes that may emerge may not wholly satisfy everyone. In accordance with the direction of the National Development Council, the Planning Commission had carefully gone into the defence needs and efforts had been made to see that in the industrial and transport programmes the defence requirements had been adequately provided for.

8. The programmes had been broadly divided into three categories, i.e., those in the Central Plan, in the State Plan and those programmes that are centrally sponsored. Shri Asoka Mehta suggested that the National Development Council might consider appointing a Committee of the Chief Ministers and the Central Ministers concerned to help the Planning Commission in deciding what should be the nature and pattern of central assistance and what programmes should be included in the centrally sponsored schemes. A paper had been circulated about the Central assistance and the principles for determining the distribution of central assistance had to be considered. This may be considered by the National Development Council or its Committee which the Council might decide to set up.

9. Shri Asoka Mehta stated that the Fourth Plan would require tremendous effort. A Chapter had been devoted in the Draft Outline to essential changes that needed to be brought about, behaviour, pattern, motivation, etc. He also referred to the Chapter on Implementation. Shri Mehta sought the guidance and advice of the Members of the National Development Council in formulating the Plan.

10. Referring to the dependence of our economy on external aid, Shri Mehta stated that while we were trying to develop the country's economy, it had to be ensured that foreign aid must not result in weakening our efforts for self-reliance. He was confident that if the Fourth Plan could be successfully implemented, the country could become self-sufficient. As against the present machine building capacity of about Rs. 500 crores, this capacity at the end of the Fourth Plan was expected to reach Rs. 1600-1700 crores. We would thus build up machine capacity of the order of Rs. 5000 crores during the Fourth Plan period. The industrial sector thus enabled us to achieve self-reliance. Shri Mehta expressed the hope that if we were able to step up our export, implement the plan programmes in a determined manner and carry on with import substitution, by the end of the Fourth Plan we should be in a position to pay for, out of our export earnings, interest charges on external debts and by the end of the Fifth Plan we should be in a position to finance for both interest charges and repayment of capital. Thus over a period of time the country would be moving towards a better and fuller self-reliance. In the Draft Outline, reference had been made to the technological and structural changes that were proposed to be brought about in the economy. It had also been indicated to some extent what cultural and social changes had to be brought about and the programmes of social welfare that had to be undertaken. It had to be considered to what extent the existing social structure could be changed and in what way these changes could be brought about. These were questions which required closer attention of the National Development Council. Shri Mehta sought the guidance and help of the Prime Minister and other members of the National Development Council in the matter. Indian economy was in the process of development and was a complex one. Various considerations had to be kept before us. Any suggestions that the members of the Council might make and any changes that they might suggest would be welcome, but he hoped that in making the suggestions the basic focus and framework would not be disturbed as otherwise it might create difficulties.

11. Referring to the other item on agenda—Implementation of Land Reforms, Shri Mehta stated that a Committee of the National Development Council with Shri G. L. Nanda as Chairman had been set up. This Committee, with the co-operation of the Chief Ministers and others concerned,

had tried to accelerate the implementation of land reforms, but the progress in this direction had not been quite satisfactory and some further thought would need to be given to this problem.

12. **Shri M. Bhaktavatsalam**, Chief Minister, Madras, stated that he was glad that the uncertainty regarding the size of the Plan had been overcome and that the objectives and programmes of the Fourth Plan could now be presented to the country. In a democratic setup planning could be successful only to the extent to which it enlisted mass support. This in turn depended on how far the Plan responded to the long-cherished aspirations of the people. In the last two or three years, due to failure of agricultural production, rise in prices and growing dependence on external aid, there had been a measure of disillusionment with the Plan. For the success of the Fourth Plan, it was, therefore, necessary to overcome this spirit of dejection and rekindle among the people enthusiasm for the Plan. This could be done if in the next year or two, action could be taken to concentrate on programmes which make the Plan meaningful to the common man. Minor irrigation, rural and urban water supply and institutional medical care were some of the programmes to which people attached great importance. The satisfaction which a programme like sinking of wells and energization of pumping sets could provide was out of all proportion to outlays incurred on them. The Chief Minister suggested that the Plan should provide for larger outlays for programmes of the nature which had widely dispersed beneficial impact on the country side, if need be, by re-adjustment of outlays on other programmes which did not have the same degree of appeal. Programmes like provision of free meals to school children and distribution of text books and uniforms to children, on which a modest start had already been made, should be further enriched and extended in coverage. Another programme which could translate into concrete terms our concept of democratic socialism was provision of housing sites to the poor in the rural areas. The provision at present envisaged for this programme was inadequate and should, the Chief Minister suggested, be stepped up.

13. The Chief Minister stated that an impression had been created that a new Plan was only a prelude to additional taxation. Mobilisation of resources through taxation and other means was no doubt inescapable, but people would reconcile themselves a little more readily to the burden of additional taxation if the Plan met more fully the simple needs of the common man and also provided for those projects for which people had been looking forward keenly for a long time. Unless the Plan document makes some specific reference to these projects and holds out prospect of their early fulfilment, it would fail to touch the hearts of the people and secure that unstained co-operation which was essential for its success. People would more readily acquiesce in additional taxation if the confidence was engendered in them that resources would not be frittered away in wasteful expenditure. The Plan document had taken credit for economy in non-plan expenditure to the extent of Rs. 335 crores of which savings at the Centre would yield only Rs. 85 crores. Both in relation to the size of its budget and expansion which Central agencies had registered in recent years, the Central Government should, the Chief Minister suggested, aim at proportionately larger economies.

14. Shri Bhaktavatsalam observed that the allocation of outlays between the Centre and States, as indicated in the Draft Outline, would give edge to the criticism that the role of the States in economic development was becoming progressively less important. Centre's share of the public sector outlay in the Fourth Plan worked out to 53.4% as against roughly 49% in the Third Plan. Even making allowance for the factor that due to the preponderance of programmes relating to heavy industry, minerals, transport and communications in the Central Plan the impact of devaluation was more pronounced in the Central sector than in the States sector, the outlay proposed for the State Plans was relatively smaller. The Chief Minister stated that it should be possible to provide for larger outlays in the States sector under heads like education, medical relief, public health, housing, through a more equitable re-allocation of available resources between the Centre and the States.

He added that the tendency to enlarge the list of Centrally sponsored schemes needed to be checked. Also the present complicated pattern of assistance should be replaced by a system by which States could be given block loans and grants for the Plan. If need be, loans and grants might be tied only in respect of select high priority sectors like agricultural production or power. With a greater freedom and flexibility in implementation of their Plans, the States could respond more adequately and quickly to feel local needs and show better results in mobilisation of resources. He, therefore, suggested that a bold and imaginative decision on pattern of assistance should be taken well in advance of finalisation of the Fourth Plan.

15. Most of the States had already prepared and presented to the Legislatures preliminary drafts of their Plans. The outlays as proposed by the States were double or in some cases even more than double the outlays of the Third Plan. In the process hopes had been roused particularly in regard to social service programmes. The Chief Minister observed that if at this stage the States were to recast their Plans and in the process axe the very programmes on which the hearts of the people were set, considerable discontent was bound to be generated. -

16. The Chief Minister suggested that the National Development Council might consider whether at this stage attention should not be confined to the finalisation of programmes in the States sector only for the next year. The national Plan had no doubt to be finalised immediately because it was only on the basis of such a Plan that the friendly countries and international organisations could be approached for aid. But similar considerations did not arise in regard to finalisation of State Plans. If the State Plans were at this stage drawn up for only one year, the States would not be obliged to take a firm and final view on the abandonment or abridgement of their schemes immediately. They would be in a better position to take a closer and dispassionate view of their programmes in consultation with the Planning Commission some time in April or May next. At that stage the size of the social service programmes under conditions which financially and otherwise would be less gloomy than at present could be settled.

17. The Chief Minister stated that the Fourth Plan had been drawn up on the cardinal principle that there should be no resort to deficit financing. But the non-inflationary pattern of financing now envisaged was based on various assumptions regarding balance from current revenues, economies in expenditure and possibilities of open market borrowings and small savings which would have to be tested out in practice. These uncertainties with regard to resources should also, the Chief Minister thought, reinforce the case for settling the Plan of the States at this stage for only one year. Finalisation of the State Plan would also mean taking a firm view on the Central assistance to the States. As every State was naturally keen on having a big programme, this would inevitably lead to inter-Stale rivalries about Central assistance at a time when united efforts were required to be concentrated on creating a general atmosphere of support and understanding for the Plan and its objectives. Every State had a large number of spill-over schemes and with some additional provision for new and particularly quick yielding schemes, the States would be able to maintain the tempo of development without serious set back. In any case, the implementation of the Fourth Plan on the scale visualised could commence in right earnest only after the States had put through the additional taxation effort expected of them which could be only after the elections. In his view, all considerations, political as well as economic, pointed out to the need for State Plans being at this stage confined to one year only.

18. Referring to the principles for determination of Central assistance for State Plans, the Chief Minister suggested that this complex problem should first be discussed fully at official level and then referred to the N.D.C. The allocation of 70% of Central assistance on the basis of population

over-looked the fact that some States had substantial surplus on non-plan account as a result of the awards of the Finance Commission. If this fact was not taken into account and Central assistance was distributed among such States too on the basis of population, the balance of Central assistance available for distribution among States which did not have such a surplus would not be adequate to sustain the level of development postulated in the Fourth Plan.

19. **Shri K. Brahamananda Reddy**, Chief Minister, Andhra Pradesh, stated that earlier a Plan size of Rs. 21,500 crores had been agreed to. Now after devaluation and after taking into account the rise in prices and other factors like Defence requirements, etc., the Plan size had been kept at Rs. 23,750 crores. This should have meant an obvious reduction in physical targets but the physical targets as indicated in the Draft Outline had not been reduced in the same proportion as the financial targets; the financial targets had been reduced by 13% and physical targets had been reduced only by 3%. This needed to be clarified by the Planning Commission. It had been assumed that there would be price stabilisation in the Fourth Plan. Shri Reddy was doubtful whether that would be possible. Prices had been steadily going up and even in the last one year these had increased considerably. He was, therefore, not sure on what basis it had been assumed that the prices would stay even at the present level. Shri Reddy expressed the view that the resources estimate was on the high side. The assumptions made regarding public loans, small savings, and additional resources to be raised by States through additional taxation were doubtful particularly when the first year of the Plan was almost over and the next year was going to be an election year. In the circumstances, there was need for taking a more realistic view.

20. The Chief Minister pointed out that the States sector of the Plan had been reduced to Rs. 7,073 crores and the Central sector was Rs, 8,500 crores. The States sector was 23% in the First Plan, 27% in the Second Plan and 34% in the Third Plan and now in the Fourth Plan it had been reduced to 29% or so. He thought that it was very necessary that in order to generate the necessary enthusiasm in the rural section of the people, the States Plans should be increased and more so in the Fourth Plan.

21. Referring to the Centrally sponsored schemes, the Chief Minister stated that he was not happy over as large an amount as Rs. 930 crores being earmarked for Centrally sponsored schemes. While programmes like those of family planning, some research programmes could be retained as Centrally sponsored schemes, the rest of the amount of roughly Rs. 750-800 crores should go to the States Plan.

22. Shri Reddy expressed dissatisfaction with the fertiliser production programme as outlined in the Draft Outline. The target of nitrogenous fertilisers had been fixed at 2 million tonnes. He was not sure whether it would be possible to produce 2 million tonnes and whether necessary steps had been taken in that direction. His own experience in regard to the supply of fertilisers in Andhra Pradesh was not quite happy. Similarly the availability of credit had also been quite unsatisfactory. The Chief Minister stated that the allocation made for rural electrification would not be enough to electrify 60,000 more villages as had been indicated in the Draft Outline and as such this was not a realistic target. Referring to the Nagarjunasagar project, the Chief Minister observed that Rs. 110 crores had been spent on the project and by next year it should be possible to complete it. He urged that such projects as were nearing completion should be completed in the quickest possible time and necessary allocation should be made for the purpose so that early results could flow.

23. **Shri Mohanlal Sukhadia**, Chief Minister, Rajasthan stated that some people had been criticising that we had failed because the Plans were big and we had not been able to implement them properly. This was not quite correct. Taking into account two foreign aggressions and three

bad weathers, our achievements had not been inconsiderable. The present Plan was a production-oriented Plan which gave agriculture the first priority. In certain sectors which were vital e.g., agriculture, community development, co-operation, irrigation, power, small industries, organised industry and mining, transport and communication, the provision made in the Fourth Plan was 79.5% compared to 82.2% in the Third Plan. Taking into account the effects of devaluation which would be felt more in these sectors—particularly in industry and power—the investment which was being made in these sectors of the Fourth Plan would be proportionately still less than what had been made in the Third Five Year Plan. This matter should, the Chief Minister suggested, be looked into. The expenditure on Irrigation in the Third Plan was 6.7% and the likely expenditure on it in the Fourth Plan was only 6%. On the Power side, in the Third Plan it was 14.6% and in the Fourth Plan it was going to be 12.7%. These percentages did not even take devaluation into account. It meant that in physical terms the achievements would be less proportionately than in the Third Plan period. For agricultural production the first important thing was water; without water it was not easy to use fertilisers. The Chief Minister suggested that before the Fourth Plan was finalised maximum stress should be laid on electricity and irrigation, minor irrigation being given the first priority because it would give quick results. Similarly in regard to rural electrification, more funds should be provided. Shri Sukhadia urged that this should be further examined.

24. The Chief Minister stated that the success of the Fourth Plan would depend on the extent to which we were able to hold the price line. In the Third Plan, whatever taxation effort had been made by the States and the additional money which had been raised was used up for giving dearness allowance to government employees. Such a situation should be avoided in the Fourth Plan, as otherwise the estimates about resources that had been made would get upset. He suggested that there should be a proper national wage policy covering dearness allowance, salaries, even wages for labourers in different industries.

25. Shri Sukhadia did not agree with the suggestion made by the Chief Minister, Madras, that we should have at present only a one-year Plan as was done for 1966-67. Such an action would be more open to criticism as the people would say that the whole economic situation was such that neither the Planning Commission nor the Government had a clear picture about the future. The Chief Minister suggested that we might consider having a core of the Plan or in other words two sets of Plan—one should be such that whatever the circumstances it must be completed, and the second should comprise of programmes of somewhat lower priority so that these programmes/ schemes could be taken up later if and when necessary funds become available. On the question of resources, Shri Sukhadia stated that there should be some uniform policy with regard to taxation in different States. For example, while there was a case for increasing irrigation rates, it would create repercussion if one State increased its irrigation rates and the adjoining States did not. Similar was the position regarding Sales Tax. It was, therefore, necessary that all the States should take simultaneous action. He suggested that a small group of experts might be asked to go into this matter in detail and indicate in which directions the resources could be raised by the State Governments. With all the money which had been invested in public sector, these public sector undertakings should now be in a position to finance our Plans to a greater extent.

26. In regard to the criteria for Central assistance, Shri Sukhadia stated that it had been suggested that 70% should be allotted on the basis of population. He pointed out that for the Third Plan it had been agreed in the National Development Council that the amount of Central assistance for each State would be determined after study of its needs and problems, progress and lags in development, its likely contribution to the achievements of national targets, potential for growth and the contribution in resources which the State was able to make towards development plans and

after considering such factors as population, area pressure on cultivated land, commitments carried over from the previous Plan, etc. This gave sufficient scope for taking into account different considerations and he did not see any reason for a change in that pattern. Shri Sukhadia stated that it was not necessary to have so many schemes in the Central sector. Even in sectors which were State subjects, a very large allocation had been made for those programmes in the Central sector of the Plan. Those States which were industrially advanced and had more resources were able to get a larger share from income-tax and inter-State sales-tax and were thus able to have a definite advantage over those States which had no industrial base. He pointed out that compared to other States, the per capita consumption of power in Rajasthan was much lower. This disparity needed to be looked into and set right by a proportionately larger allocation of funds to less developed States provided they had the necessary potential. The Chief Minister stated that the minimum level of facilities in the matter of education, drinking water supply, road mileage per square mile, per capita availability of electricity, etc., that should be available to all States by the end of the Plan should be decided. Certain States, like Rajasthan, suffered from droughts and had other difficulties and these difficulties needed to be given due consideration. In dealing with the problem of employment, village and small scale industries would continue to play an important role. Their scope and sphere should be clearly defined vis-a-vis the large industry. The Chief Minister suggested that to remove the disparities between the States, a decision about licensing policy for industrialisation should be taken so that while issuing licences, claims of States in which there had been less investment should be taken into account. Financial institutions like the L.I.C. and others should be given a directive that if a particular industry was established in a backward region, it should be given a more liberal treatment.

27. **Shrimati Sucheta Kripalani**, Chief Minister, U.P., stated that in the Fourth Plan, Agriculture, Power and Irrigation should be given greater emphasis and a larger allocation should be made for these vital sectors. The Plan should stress as its objectives the minimum level of income, expanding employment opportunities and balanced regional development. She also suggested a larger allocation for technical education. U. P. was particularly lagging in technical education. Smt. Kripalani pointed out that the States' share of allocation had been reduced in the Fourth Plan. Whereas in the Third Plan it was 46.4 per cent for the Centre and 49 per cent for the States, in the Fourth Plan it was 53.6 per cent for the Centre and 44.2 per cent for the States. Referring to the large number of Centrally sponsored schemes which had been kept in the Plan, she stated that these schemes had a certain rigid staffing pattern. She was glad that it had been proposed that a Committee of the NDC should go into this question.

28. The Chief Minister urged that eastern U.P. should be included in the category of backward areas in the Plan. In making allocation for large projects, the likely price rise should be kept in mind and some effective measures should be considered to stabilise prices. Referring to the pattern of Central assistance, she stated that the present system of having a separate pattern for different States was wasteful. The pattern of assistance should be prescribed for sectors as a whole instead of for individual schemes. She observed that it was very necessary that the financial discipline must be rigidly imposed so that States may not resort to overdrafts which distort the Plan and lead to inflation. She pointed out that State Governments capacity to raise resources was limited. She suggested that the Employees Provident Fund should be invested in State securities. Similarly, the States, instead of getting two-thirds share of small savings, should be given all the money from this source. Also, the States should be permitted to raise additional resources by taxation under section 269. All this would help to augment the States resources.

29. Smt. Kripalani stated that there was need for having a national wage policy. Similarly in the

matter of taxation there should be a common policy for a region as otherwise there would be repercussions in adjoining States. Once an agreement or understanding regarding certain measures of taxation was reached between States, it should be ensured that no State went back on it.

30. **Shri D. P. Mishra**, Chief Minister, Madhya Pradesh, stated that what was worrying the country most was inflation and rising prices. The Section on Price Policy in the Draft Outline had not spelt out the measures which were proposed to be taken to control or stabilise the prices. He pointed out that out of a total allocation of Rs. 16,000 crores in the Public Sector, Rs. 6,000 crores was going to be the expenditure on unproductive programmes or programmes which would give result after six or seven years. Added to it the Defence expenditure, the unproductive expenditure would be considerable and this might lead to further inflation. This, he said, required to be carefully looked into. Shri Mishra suggested that some of this unproductive expenditure which was in the Central sector should be reduced and the money diverted to the States sector for productive schemes so that it might give immediate result. The Chief Minister also asked for a larger allocation for Railways and Roads. He was glad that adequate provision had been made for drinking water supply.

31. **Shri Nilamoni Routroy**, Deputy Chief Minister, Orissa, stated that one of the important recommendations made by the N.D.C. Committee on Industry, Power and Transport was that the allocation of Rs. 135 crores for large industries envisaged for the States sector in the Fourth Plan was inadequate and it should be substantially increased in order to enable the State Governments to take up more industries. He was disappointed to find that in the Draft Outline the States' share of allocation in the industrial sector had still been kept very low. Another recommendation made by the N.D.C. Committee was that the State Governments should be treated at par with the private sector in the matter of drawing funds from institutions such as the Industrial Finance Corporation, Industrial Development Bank and Life Insurance Corporation of India, etc. Shri Routroy pointed out that this recommendation of the N.D.C. Committee had not been taken into consideration and in the interest of underdeveloped States, it was important that this recommendation should be accepted.

32. On the question of Central assistance to States, Shri Routroy stated that this should help to reduce the disparities in the levels of different regions with a view to securing balanced regional development. Orissa had been asking for the setting up of a fertiliser plant in the Central sector but no decision had so far been taken. The Minister said that Paradip was going to develop into the biggest port in India but not enough attention was being given by the Centre to the growth of this area and no new project was being located here in the Fourth Plan. Paradip was not even connected by a railway line and the State Government had connected it with the mining areas by road at a very heavy cost. In the field of education, Orissa was lagging behind other States. The ban on the establishment of new Universities, as suggested in the Draft Outline, was understandable in respect of States which were educationally well advanced but it would not in Shri Routroy's view, be fair to States which were at a low level in the field of education. Orissa had, therefore, proposed to set up two new Universities. The Minister hoped that it would be possible to accommodate this demand. For raising additional resources by the States, it was necessary that there should be uniformity in the tariff rates and in the rates of electricity in the adjoining States.

33. Shri Routroy did not agree with the view expressed by the Chief Minister, Madhya Pradesh, that adequate attention had been given to the problem of rural drinking water supply. This was a problem which needed to be tackled at national level. Another important problem was that of providing proper housing to people in the rural areas. If these two problems were properly tackled, the people would get maximum satisfaction.

34. **Shri K. B. Sahay**, Chief Minister. Bihar, welcomed a Plan of the size of Rs. 23,750 crores. Referring to the resources position, the Chief Minister stated that he was doubtful whether the States would, as indicated in the Draft Outline, be able to raise another Rs. 985 crores and effect a saving of Rs. 250 crores in expenditure. According to the Draft Outline, the total outlay for the States sector was Rs. 7073 crores and the States were expected to contribute Rs. 3420 crores i.e., almost 50% as against their contribution of 38% in the Third Plan. Backward States like Bihar, which was backward in the matter of education and per capita income and which may not be able to make its 50% contribution, would be in difficult situation. The Chief Minister was of the view that the States' share of the contribution should not be larger than what it was in the Third Plan. Referring to land reforms he stated that land reform measures, mechanical farming, etc., could be put through if rural industries were developed on a large scale throughout the rural areas. He also referred to the Bihar Government's demand for a fertiliser factory at Barauni and urged the Planning Commission and the Central Government to provide this.

35. **Shri T. N. Angami**, Chief Minister, Nagaland, stated that Nagaland came into being on the 1st of December, 1963. It was one of the most under-developed States. It had no University and no technical schools or colleges. It had only one national highway and the road communication had yet to be built. The State was deficit in food. It did not have medical facilities and it also required programmes for providing housing and drinking water supply to its rural population. The State was fortunate in having mineral resources and there were immense possibilities of exploring its forest resources. In the Fourth Plan, pulp industry and sugar industry were proposed to be set up in the State. This would have a good impact on the people's mind. The State could be developed into a good tourist centre. The Chief Minister hoped that with the help of the Planning Commission and Central assistance, a good development plan would be drawn up for the State. He also requested the Chief Ministers of other States to help this border State in the initial stages of its development by lending the services of suitable technical personnel.

36. **Shri K. P. Tripathi**, Planning Minister, Assam, stated that since the priorities differed from State to State, it would be better if the Centre gave grants and loans and the States were left free to determine to which priorities they should allocate funds for a particular year. He generally endorsed the principles suggested for determining Central assistance for States. For raising resources of the magnitude required for the Fourth Plan, the efforts which would be necessary on the part of the States and also the Centre would be of a colossal character. It would not be possible to raise these resources through taxation. Both the States sector and the Central sector should be viewed simultaneously and jointly for total efforts for raising resources through taxation. Shri Tripathi suggested that Provident Fond should be made universal in all employing agencies, whether they were trade, commerce or industry. Similarly, the life insurance should also be made universal as far as possible. Referring to the proposal for crop insurance, he suggested that this should cover the whole State so that self-employed sector was also covered.

37. With regard to wages, prices and dividends, Shri Tripathi stated that a suggestion had been made that there should be a wage freeze. In his view there could not be a wage freeze if there was no price freeze. A wage freeze without proper control on prices would only lead to difficulties with the labour. The wage freeze and price freeze should be tackled together and there should be a rigid control on prices particularly of essential commodities.

38. Shri Tripathi stated that all industries which were based on local raw materials should be completely free from control so that they were not subject to complicated licensing procedures and were free to go ahead.

Assam being a frontier State, no private industrialist was prepared to set up industry there. In order to remove the imbalance, the Plan should provide for the setting up of certain industries in the public sector in Assam and Jammu & Kashmir. He also emphasised the need for proper materials planning, particularly of non-ferrous metals and other essential scarce raw materials. Assam was rich in raw materials and if industries were started there with local raw materials, the State would not be a liability to the Centre.

39. The Minister referred to floods from which Assam suffered year after year. Flood waters could, he said, be controlled by retention dams and the Centre should help the State in setting up retention dams and dredging. Checking the flood waters through embankments alone would not help.

40. Before adjourning for the day, the Prime Minister announced the following composition of the Committee of National Development Council to consider the suggestions for and scope of Centrally sponsored schemes:

Chief Minister, Mysore

Chief Minister, Madras

Chief Minister, Rajasthan

Chief Minister. West Bengal

Chief Minister, Uttar Pradesh

Chief Minister, Gujarat

Union Minister of Education

Union Minister of Food & Agriculture

Union Minister of Irrigation & Power

Full time Members of Planning Commission.

The Council resumed discussions on August 21 at 10 a.m.

41. **Shri P. C. Sen**, Chief Minister, West Bengal, stated that the objectives as outlined in the Draft Outline were optimum utilisation of resources, mobilisation of financial resources and holding the price line. He was not sure how it would be possible to hold the price line when the States were asked to raise another Rs. 700 crores during the next four years. It had been suggested that in order to mobilise additional resources the surplus of agriculture income should be made available for development purposes. This could be done not by taxing agriculturists but by encouraging institutional savings. Another suggestion was to take away by taxation the unearned income on the value of urban property. How this suggestion could be implemented would need to be considered. In regard to stabilisation of prices, no attempt was being made to stabilise the prices of all categories of consumer goods. The Chief Minister suggested that care should be taken to ensure that there was no diversion of investment from production of essential to the non-essential consumer goods.

42. Shri Sen stressed the importance of coordination between different agencies entrusted with the execution of the Plan and suggested that for effecting such co-ordination, a tripartite committee with representatives of the Central Government, State Governments and the private sector should be formed.

43. The Chief Minister stated that in the Chapter on Urban and Regional Development included in the Draft Outline, there was no mention of any provision to meet expenditure on greater Calcutta Scheme by the Centre. The Central Government had recognised special responsibility for this and had provided Rs. 10 crores in the Third Plan. Having taken up the scheme in the Third Plan, the Centre could not give up the responsibility in the Fourth Plan.

44. Referring to the pattern of Central assistance to the States in the Fourth Plan on population basis and special needs, the Chief Minister suggested that 50% of the total outlay of Rs. 16,000 crores i.e., Rs. 8,000 crores should be in the States sector and 60% of 8,000 crores i.e., Rs. 4,800 crores should be the Central assistance. He also stated that the distinction between the Centrally sponsored schemes and the Centrally aided schemes should go. All schemes to be executed by the States should be in the State Plans. It had been suggested that 70% of the Central assistance should be on population basis and 30% on the basis of special needs. The Chief Minister said that the three Plans had almost removed the disparities in development in respect of social services except for areas like Nagaland and Kashmir. He, therefore, suggested that 90% of the Central assistance should be allocated on the population basis and only 10% should be on the basis of special needs. Each region should be allowed to exploit to the maximum its potentiality whether it was for industrial growth or agricultural growth.

45. Concluding, the Chief Minister stated that West Bengal had provided employment for 50 lakhs of people from other States and 60% of the population of Calcutta in industrial areas was from other States and therefore the other States should not grudge Central assistance for the Greater Calcutta Scheme.

46. **Shri Hitendrabhai K. Desai**, Chief Minister, Gujarat stated that the size of the Fourth Plan was quite on the liberal side. The rise in the prices had not been fully taken into account. Most of the schemes were based on the prices of 1963-64 and 1965-66 but it was quite likely that the prices might rise still further at least in the beginning on account of the devaluation. The rate of increase for non-Plan expenditure, as assumed by the Planning Commission, was rather too low and it was quite likely that the surpluses from current revenues might not remain high. The Chief Minister, therefore, suggested that while the size of the Plan might remain as it was, there should be a hard core of the Plan to avoid future complications which might arise on account of expenditure on defence and the growth of non-development expenditure. While accepting broadly the sectoral allocations, he suggested that the States should have the power to make adjustment within 10-15 per cent. While it was agreed that agricultural production should be given top priority, our aim of self-sufficiency should be for the country as a whole and at the national level. Every State should not start thinking in terms of self-sufficiency and the deficit States should not have a feeling that they would not have adequate foodgrains.

47. With regard to Central assistance, the Chief Minister said that the efforts which the States had made in the Third Plan should also be taken into account and the States which raised taxes and effected economy should not suffer on that account. He suggested that the Central assistance should be by way of loan for productive schemes and by way of grants only for non-productive schemes.

48. He observed that for proper implementation of the Plan, a climate will have to be created for the people to be willing participants in this task. The support of the Panchayati Raj institutions and even of the educational institutions and students and other youngsters should be obtained for the purpose. The drive for small savings was very important and should be intensified, as it made the people feel that they were participating in the development of the country and at the same time it

helped the States in raising their resources. In order to encourage people to invest in the small savings, the rate of interest and the limit of savings under the Small Savings Scheme should be increased.

49. The Chief Minister stated that Gujarat had been fortunate in finding oil and the refineries were working very well. There was evidence of existence of gas in the Baroda-Bombay region and if this was not utilised in good time it would be disastrous. In this connection the Chief Minister asked for early action to develop petro-chemical complex which he regarded as very important project.

50. **Shri G. M. Sadiq**, Chief Minister, Jammu & Kashmir, generally welcomed the approach to the Fourth Plan as contained in the Draft Outline, particularly the stress laid on the avoidance of deficit financing and maintenance of price stability, and observed that it was essential to see that there was no further rise in prices as otherwise the burden on the people would become unbearable. The over-riding priority given to agricultural production and emphasis placed on production of consumer goods were welcome features of the Draft Plan. It was only plentiful production and supplies of articles of mass consumption that could keep prices in check. For achieving these objectives, the implementation machinery and procedures would require to be properly toned up and certain amount of self-discipline was necessary at the political policy making level. He called for joint decisions of the neighbouring States in matters like increase of emoluments of government servants. If the growth of non-Plan expenditure had to be restricted to 3.5 per cent per annum, it was essential that an agreed policy should soon be formulated by the Centre and the States regarding such increases. The question of the size of the Fourth Plan and of resources would, the Chief Minister said, require careful scrutiny and periodical review as a number of assumptions had been made in estimating resources which may be belied in course of time. The Third Plan experience in this regard had not been encouraging. The element of foreign credit estimated at Rs. 4,700 crores was dependent on imponderable extraneous factors. Any major fluctuations in this item could seriously upset the entire Plan. The Chief Minister, therefore, fully agreed with the Prime Minister that there should be an alternative Plan which should be related to the availability of external assistance. It would be better to have a hard core of the Plan to be executed at all costs. He did not agree with the proposal of the Chief Minister of Madras that no Plan should be drawn up for the States for the remaining years of the Fourth Plan at this stage. Such a step, he said, was likely to injure the prestige of the Fourth Plan and the entire process of planning in the country.

51. Regarding the principles of Central assistance, the Chief Minister stated that population alone could not be a satisfactory criterion for determining the quantum of Central assistance to be given to a State. Other factors, like backwardness etc., had also to be considered.

52. Shri Sadiq stressed the need for providing adequate railway communication in the State of Jammu & Kashmir which was so essential for its industrial progress and exploitation of its mineral deposits. He also urged for the proper development of high hydel potential in the State without which the State would remain backward despite its potential. He pressed for the inclusion of the Salal Hydro-electric Project in the Fourth Plan. There were large deposits of natural gas in the Kashmir Valley and the Oil & Natural Gas Commission had carried out a preliminary examination in November 1965, on the basis of which they submitted two projects reports, but nothing had happened so far. As in Kashmir no work could be done after November and up to March, the Chief Minister urged that the Planning Commission should take up this matter with the Oil & Natural Gas Commission. He also asked for early setting up of pharmaceutical industry in the State for which it was eminently suited because of good climate and availability of herbs and drugs there.

53. **Shri S. Nijalingappa**, Chief Minister, Mysore, stated that after sixteen years of planning, they had reached a stage when they could be proud of their achievements. Almost all the States had done very well and they were getting more and more practical in their approach to problems as experience had been growing.

54. Talking about resources, he said that about 45 per cent of the recoverable income-tax was not being recovered. A determined effort in tax collection was required to be made. He referred to the privy purses of the old rulers which went untaxed. Considering the problems that the country faced the legal position in regard to taxing this source should be examined.

55. Shri Nijalingappa did not agree with the suggestion for a one-year Plan made by the Chief Minister of Madras. Referring to agriculture, he stated that while agriculture was given the utmost importance as it deserved, out of 29 crores acres of land under food crops, only 6 crore acres was under irrigation. More irrigated land should be brought under cultivation. The Chief Minister suggested that like the large industrial schemes, the big irrigation schemes should also be taken up as Central schemes as they would bring in more food, more employment and more agricultural production and would produce agricultural raw material for industry. The money spent on these schemes should be treated as advance or loan to the States which the latter could return after four years or so when the schemes would start giving results. The States had the organisation and capacity to implement these schemes and they did not need the CPWD for this purpose as he could see no reason why in the same area there should be difference between the Central and State scheduled rates of work. Another thing which operated against the agriculturists was the question of credit. Unlike industrialists, the agriculturists did not get necessary help from the banks at proper time. This should be arranged. In the last election manifesto it was said that every village would have a road—an approach road, a school and a drinking water well. The problem of the drinking water was still there and called for an early solution by providing the needed funds. In the irrigated areas, what the people wanted most was fertiliser. Unless fertiliser plants were there—one or two in every State—whether in public or private sector, it would be difficult to meet the demand for fertiliser and increased food production. Speaking about education, he said that instead of merely producing graduates, trained agriculturists should be produced in large numbers by starting schools for giving two years training. Similarly, more craftsmen should be produced by opening craftsman training centres at least three or four in each State, so that they could take up jobs in small industries which were coming up in the rural areas.

56. Regarding the principles of allocation of Central assistance to States, the Chief Minister expressed himself against the suggestion that it should be made on population basis. That would only make the rich people richer. He Suggested that each State should get assistance according to its need and capacity and what it deserved. The more backward the State the poorer were the people and more should be allocated to it.

57. **Shri V. P. Naik**, Chief Minister, Maharashtra stated that the best test of any Plan should be whether it creates confidence among the masses, and the Draft Fourth Five Year Plan should be judged from that angle. He felt that it was somewhat lopsided. The Central sector was bigger and costly and there was scope for reducing the expenditure, not by cutting the important schemes, but by increasing efficiency and eliminating non-productive expenditure. Thereby more than Rs. 1,000 crores could be found and given to the States. The real impact on the masses could be created by the State Plan rather than by the Central Plan and for the same reason the Central assistance proposed in the Fourth Plan should be increased. The Plan should lay emphasis only on productive schemes. For agricultural production, the basic thing was irrigation, which should be given top

priority as it solved not only the food problem but also rural unemployment and a number of other problems.

58. As regards Central assistance, the Chief Minister stated that it should be based on certain defined principles, which should be determined in consultation with the State Governments, and there should be no arbitrary fixing of assistance. He did not agree with the suggestion of the Chief Minister, Madras that the Plan should be for one year. He also did not agree with the Madras Chief Minister's other suggestion that the recommendation of the Finance Commission should be taken into account while giving Central assistance to the States. He also referred to the question of location of Central projects and stated that this should be based on technical feasibility, national interest and other technical and financial considerations and not on political considerations.

59. The Chief Minister pointed out that no provision had been made for the rehabilitation of textile workers. Whenever the textile mills made any changes in their mills and tried to modernise equipment, machinery, etc., they shut down the mills for some time with the result that the textile workers were thrown out of employment. He called for proper steps to be taken beforehand so as to avoid large unemployment of textile workers. The Prime Minister agree that this was a very important point.

60. **Dr. Y. S. Parmar**, Chief Minister, Himachal Pradesh, said that he was one of those who felt that planning was the greatest boon which came after independence particularly to those areas which probably could not have seen any kind of prosperity or development unless the country was taken up under one Plan. Under the able guidance of the late Prime Minister it was one of the greatest achievements which the Government and the Planning Commission could be proud of.

61. The Chief Minister felt that there was scope for reducing expenditure on the non-productive projects and in view of the prevailing stringency it would be in the interest of the country, the States and the Union territories to select such projects as would give quick returns so that the States' resources were improved and in due course of time they could stand on their own feet. In the case of Union Territories particularly, they should be given freedom to make adjustments in the Plan within the ceiling provided. He said that while agriculture was of utmost importance and deserved priority, in Himachal Pradesh as in other Hill States, it was realised that agriculture, especially cereal production, did not hold out much prospect and it was fruit growing and forestry which had greater scope and could yield greater results.

62. Regarding floods, he said that it would not be possible to control them unless streams and rivers which were flowing over the hills were controlled, as without this embankments in the plains were of no use. Special attention should, therefore, be given to soil conservation and afforestation in these areas. A long-term policy was needed for the purpose and as much larger investment was required the Centre should come to help. Fertiliser was very good in States like Mysore where there was rich irrigation but not so in areas where water was needed. The Chief Minister urged that Irrigation and electricity which would enable water to be exploited, should be given attention in the States which had a potential for them. In the matter of resources, Himachal Pradesh was in a particularly unfortunate position. There was not a single industry under the Central scheme located in this State. He pleaded for assistance for setting up undertakings which would yield revenues.

63. **Shri V. Venkatasubba Reddiar**, Chief Minister, Pondicherry, stated that provision required for the small State of Pondicherry was very small and the cut should not fall on it. He stated that the principle of allocation on the basis of population should not apply in the case of Pondicherry. There was scope for the development of Pondicherry port. The pier had been constructed there but in the

absence of proper shelter for harbour craft, it was difficult for the ships to come. The State had a scheme for a harbour shelter and adequate provision should be made for it. He hoped that the Ministry of Transport would give necessary technical assistance for this. There were possibilities of developing Pondicherry and Karaikal as fishing harbours. The Chief Minister pointed out that there were no arrangements for institutional finance for industries in Pondicherry. The State Government was trying to get the help of Madras Industrial Finance Corporation but if it was not possible for that Corporation to extend its sphere to Pondicherry, Pondicherry should be allowed to set up its own small institution. This would greatly help small scale industries in the State.

64. The Chief Minister pointed out that in the past there had been deviations between the outlay recommended by the Planning Commission for the Annual Plan and the actual provision made available by Government. This must be avoided as it disturbed the Plan particularly for a small State like Pondicherry and made it difficult for the State Government to achieve the targets. Another handicap was in regard to the delegation of powers to the Union Territories. While they were entrusted with the same responsibility as the other State Governments, they had no powers. Even the Zila Parishads had more powers than the Administration in Union territories. Once the Annual Plan was finalised, there should be no further revision. If any adjustment was required, it should be for the next year. He regretted that while they were required to follow the pattern of education and scales of pay and allowances as in Madras, they were not allowed to make secondary education in Pondicherry free as it was in Madras. Whenever they asked for assistance from the Centre they were told that it was not free in other Union Territories. He pleaded for free secondary education in Pondicherry.

65. **Shri Sachindra Lal Singh**, Chief Minister, Tripura, said that the population in the State of Tripura consisted of tribals, mostly Jhumies and refugees from East Pakistan. The Zamindari and Talukdari systems had been abolished. There was now a ceiling of 25 acres of landholdings and the land taken from the Zamindars had been given to the existing bargadars. The Chief Minister said that they were also now thinking how land and money could be provided to the landless. In the Plan, there was mention of the landless but not of the Jhumies. The benefit should be given equally to the refugees and the Jhumies.

66. Referring to the lack of means of communications in the State, the Chief Minister said that the railway was only up to six miles in the territory and roads were not developed. He wanted the Jawari and Tripura roads to be declared as national highways. He also stressed the need for developing irrigation and power taking up flood protection measures in the State. The rivers resources should be tapped for the good of the people. Technical education was very important and the Chief Minister was glad that an engineering college was proposed to be set up in the State.

67. **Shri M. Koireng Singh**, Chief Minister, Manipur, said that the Five Year Plans had done much for the country. India was a vast country with diverse people and with different needs for development. Therefore, priorities fixed for the country had to be modified for certain regions and areas according to their needs for development. For Manipur, the most important need was better communications for transporting commodities and for general administration and welfare activities. It was also important from the Defence point of view. Roads were essential as the works were in the hilly areas. The State Government was trying to get some machinery like bull-dozers and tractors for the last three years but nothing had been received. It was also necessary, he said, that areas like Manipur, Nagaland and Tripura should be gradually connected by railway line to give better and cheaper communication and transport. The hill areas were very backward and their progress and development could not be slowed down. If proper drainage could be provided, thousands

of acres of marshy land could be reclaimed. A drainage scheme had been put down for the Fourth Plan. After preliminary investigation, which took a very long time, the scheme was reaching the final stage. He urged that this should be expedited by the agencies concerned.

68. The Chief Minister complained that no major or medium industries had come up so far in Manipur even after Three Plans and nineteen years of independence. Manipur had natural resources like bamboo for paper factory and lime stone for cement factory. He urged that where there were raw materials and where the setting up of an industry to make use of the raw materials was feasible, the State should be given more freedom to go ahead.

69. **Shri B. P. Chaliha**, Chief Minister, Assam, generally accepted the approach to the Fourth Five Year Plan, its size, strategy and resources. He pointed out that frontier States like Assam had a large number of peculiar and political problems which had now considerably increased. At the same time, there was a heavy back-log of development. 47% of the area of Assam was hilly and had to be developed. In the matter of education, while some of the hill districts were quite advanced so far as literacy percentage was concerned, the State was without corresponding facilities for higher education as Assam started very late. The Gauhati University came into existence after 100 years of the Calcutta University. The flood problem he said, was eating into the vitality of the State and the people on an average lost about Rs. 7 crores worth of foodgrains or agricultural produce. In the current year, the estimated loss was about Rs. 21 crores apart from the dislocation of communications and other difficulties. He felt that the provision made in the Plan for flood control was very meagre.

70. As regards industries, particularly after the Chinese aggression, the private capital had become very shy. An assurance had been given by the late Prime Minister as well as by the Deputy Chairman of the Planning Commission and the then Union Minister of Industry (Shri T. N. Singh) that Assam would be given a paper project and a cement project in the public sector but unfortunately no clearance had been given so far. He also referred to the Plan for Rs. 70 crores for the hill areas proposed by Shri Tarlok Singh, Member, Planning Commission, and asked for its early approval. He wanted the National Development Council to appreciate that the frontier areas in the country had certain peculiar problems and unless those problems were tackled properly and in time serious complications might arise.

71. **Shri Dharma Vira**, Governor, Punjab, did not make any statement at the meeting but forwarded the following comments on the Draft Outline:

"Additional mobilisation of domestic resources :

From the measures already adopted in 1966-67, the States will realise Rs. 125 crores. Further measures will be necessary for securing Rs. 700 crores during the remaining four years of the Plan. Additional taxation of this order would have been exceedingly difficult in Punjab under any circumstances but will not be possible at all with the reorganisation of the State. The per capita taxation in Punjab is already high.

Debt liability :

The debt liability of Punjab rose from Rs. 60 crores in 1952 to Rs. 329 crores in 1964. The repayment of Bhakra loans by itself will account for Rs. 82 crores in the Fourth Plan. Special measures are necessary to meet the problem. One solution may be to consolidate all loans and then to fix equated instalments of repayment.

Central assistance :

Central assistance for the States in the Second and Third Plan was 60% but the proposed assistance in the Fourth Plan is 51.5% (Rs. 3643 crores out of Rs. 7073 crores). The pattern of assistance in the case of a State like Punjab should be more favourable than the one that has been proposed. The new State of Haryana will be born with special problems and hardly any reserves and would need special treatment.

Agricultural production:

Essential supplies (e.g., cement for minor irrigation works) must be ensured and furthermore short-term credit that is necessary for fertilisers etc., must be provided on the non-Plan side as an integral part of the programme. The requirement under the latter head in Punjab alone will be Rs. 100 crores, besides Rs. 40 crores expected from co-operative societies. In the last year of the Plan the consumption of fertilisers will be 60 kg. per acre as against 15 kg. at present for the State as a whole and as against 50 kg. in the I.A.D.P. district of Ludhiana. Given adequate fertilisers and credit facilities, Punjab can help greatly in our aim to achieve agricultural self-sufficiency.

Power :

In spite of a heavy outlay for power in the Punjab Plan (Rs. 147 crores and of Rs. 500 crores) the shortage of power in the State will become more acute in the last year from 120 MW to 590 MW. The reduction in the target for the country from 21 million KW to 20 million KW is therefore a matter for concern to Punjab. Special measures will in any event be necessary to overcome the difficulty in the State. In Punjab, our people have taken greatly to the use of electricity in minor irrigation schemes and it would be great pity if this enthusiasm is not taken advantage of to get increased agricultural production.

Industries :

In the first Three Plans the total investment in the Central sector industries was about Rs. 2130 crores and out of that amount Punjab accounted for only Rs. 30 crores. The need for such gross imbalance being set right cannot be over-emphasised. In fact a border State like Punjab merits exceptional treatment in this regard. Some Central public sector enterprises in the border districts and a scheme for War Risk Insurance would help greatly in restoring the public morale in the border areas.

Family Planning :

The programme is without question of the first importance to the country but the outlay provided is only Rs. 95 crores while there is an additional demand for Rs. 144 crores. It has no doubt been indicated that any additional amount that this programme can usefully spend will be provided through the Annual Plans. This, however, is not a satisfactory position. A Programme of such priority should be provided the funds that are considered necessary in the Plan itself instead of being left for adjustment in the Annual Plans."

72. **Shri S. G. Barve**, Member Industry, Planning Commission stated that there were certain broad objectives which the outlay in the industrial sector was designed to achieve. After the Three Plans, a stage had been reached where a good deal of further activity was necessary. One of the most important field was machine building capacity. A good beginning had been made in the Third Plan, but for attaining self-reliance it was necessary to enlarge the machine-making capacity. Only such things had been included in the industrial sector as gave a high percentage of import savings. He mentioned that the current output value of the machinery in the country was something of the order of Rs. 350 crores. With the plan that had been laid down, it was expected that the annual capacity for making machines would be of the order of Rs. 1600 or 1700 crores, i.e., roughly about 80% of the machinery requirements by the end of the Fourth Pian period. With the industrial projects that had been included in the Plan the country would be wholly or substantially self-sufficient in the machinery requirements in the field of power generation, transport and communications and steel manufacture. In regard to fertiliser production, Member admitted that the performance in the past had not been satisfactory. The Planning Commission had been reviewing the position regularly and assessing the prospects very carefully. He believed that something like 5-6 million tons of fertiliser production was pretty well assured in the sense that it was on the ground. He estimated that something like 2 lakh tons of nitrogenous fertiliser would need to be additionally produced every year to keep pace with the food production. From 1970-71 onwards, two fertiliser factories would be put up every year. He pointed out that even with the proposed outlay of roughly Rs. 1,500 crores for the steel industry, the country would need to import something like Rs. 100 to 150 crores worth of steel every year for the next 5 years. Another important element in the industrial outlay was that Rs. 450 or Rs. 500 crores had to be allocated for petroleum exploration. These figures appeared rather large on account of devaluation of the rupee, the bulk of the burden of which had fallen on the industrial sector because it was in this sector that large imports of foreign machinery were made.

73. On the question of location of Central projects which had been raised by some Chief Ministers, Member explained that in most cases the location was indicated by the raw material requirements. Due consideration was also given to the possibility of locating projects in regions where there was not much industrial development. He entirely agreed with the point made by some Chief Ministers that the State-assisted or State-participated projects should get aid from the financial institutions and assured that the matter would be taken up with the Ministry of Finance. In regard to the suggestion for making economies in public sector projects, he agreed that there was scope for that. He pointed out that economies of the order of Rs. 160 crores were expected to be effected in the various estimates of the different projects and due credit had been taken for it. Rigorous standards regarding buildings and townships, etc., which otherwise increased the expenditure would be applied. Member (Industry) referred to the question of rehabilitation of existing industries, like sugar, textiles, jute, woollen textiles, and said that they were all in the private sector and their rehabilitation was supposed to be included in the total private sector outlay of Rs. 2650 crores.

74. **Shri V. K. R. V. Rao**, Member (AE&IT), Planning Commission stated that he was glad that all the Chief Ministers had emphasised the need for priority for agriculture. But at the same time an impression seemed to prevail in the minds of some that necessary priority had not been given to agriculture. In minor irrigation, the expenditure in the Fourth Plan compared to that in the Third Plan was more than double; it was something of the order of more than Rs. 1,000 crores. Rs. 520 crores had been shown against Minor Irrigation. Another Rs. 300 crores were proposed to be spent

through the co-operative sector, out of which not less than Rs. 125 crores would be for financing minor irrigation works. In the Community Development programme, there were provisions under the Tribal Areas, the Hill Areas, the Special Areas and for Rehabilitation. In the final Plan, it would be appropriate to bring together in one place all the expenditure that was going to be spent on minor irrigation so that a comprehensive idea of what we were trying to do in the Fourth Plan could be had. He assured the Chief Ministers that so far as minor irrigation was concerned, they need not be distressed. The more important thing was major irrigation programmes. In Bihar from where very large increase in food production in the Fourth Plan was expected, the degree of utilisation was very low. It was extremely important to get the full return from investment in irrigation. Necessary steps must be taken to remove the lags that were there between the production of food and utilisation of water, as there was no point in having an irrigation programme unless it was accompanied by agronomic programmes and crop patterns, by inputs of fertilisers, by high quality seeds and by intensive area development programme. Member pointed out that the necessary return from the expenditure incurred in the last three Plans on major irrigation had not been obtained.

75. Member recalled that in May 1965 a co-ordinated and detailed plan of development for the Agricultural sector had been drawn up and the States were asked to set up local planning cells and to go in for agricultural co-ordination. Priority in agriculture meant priority not only in terms of outlays but priority in terms of production, implementation, co-ordination and resources. Referring to ancillary inputs and all that was needed in agriculture, he said that when talking about agriculture, one should take not only the allocation of Rs. 2,400 crores into account but should see the integrated amount that was being spent on major irrigation, rural electrification, industries which were ancillary to agriculture, rural transport and even on rural education. All that would come to about Rs. 5,200 crores.

76. Speaking about technical education. Member said that in the Fourth Plan, the stress was on improving the existing colleges and Universities. During the Third Plan period, due to Chinese aggression and the national emergency the capacity for admissions had been increased by 5,560 seats in the Engineering colleges and 4,500 seats in the Diploma courses. There was an overall shortage in the country of 35% in teachers, 53% in equipment, 51% in instruments and buildings and 55% in hostels. It was not the numbers but the quality that counted. He, therefore, urged that the Central Ministry of Education and the State Governments should not promise more engineering colleges at this stage. What was needed was to see that our engineering colleges gave us the best talents. If quality of engineers was improved, it would be more productive than the increase in the number of seats. Referring to the demand made by the Deputy Chief Minister of Orissa for additional Universities, Member stated that from his experience as an educationalist he could say that educational efficiency did not increase by increasing the number of Universities. On the need for vocational education stressed by the Chief Minister, Mysore, Member said that ample provision had been made for it in the Plan.

77. **Prof. M. S. Thacker**, Member (NR), Planning Commission first dealt with the point raised by the Planning Minister of Assam about flood control and explained that a meeting between the Chief Minister of Assam and the Union Ministers of Irrigation & Power, Finance and Planing was held recently and he (Member, NR) also subsequently took a meeting. The whole matter was being investigated and efforts were being made to find out a long range programme to deal with the problem. It would not be possible to control the floods entirely; it was only a question of minimising to the extent possible.

78. Coming to the problem of major and medium irrigation, Member said that action was being

taken to complete the continuing major irrigation schemes. He hoped that the provision with regard to Nagarjunasagar or any other large projects would be made in full so that these schemes did not suffer for want of funds. The question about these projects being treated as national projects arose from want of finance. Execution had in any case to be done by the States; it could not be done by the Centre. He hoped that all the major schemes would be expedited. Regarding medium irrigation schemes, he said that they had a large number of them. Provision had been made for the continuing schemes so that these could be completed in the Fourth Plan. It was difficult to take up at this stage any new schemes for the Fourth Plan. This could be considered a little later if more funds become available.

79. Speaking about power programmes, Member stated that the Damodar Valley Corporation would, in accordance with an Agreement, be financed by the World Bank. Member indicated that he had personally gone to the various States and had looked into their power problems. Adequate provision had been made to the extent of 80% of the generation. He did not favour the proposal to retire some of the old plants as he felt that it was not necessary and it would be uneconomic.

80. Referring to rural water supply, he stated that considering the availability of personnel it was doubtful whether it would be possible to do more in this sphere than what had been provided in the Plan. Regarding rural and regional development, he indicated that he had prepared certain papers which he would circulate to the Chief Ministers.

81. **Shri Tarlok Singh**, Member (A&T), Planning Commission, referred to the Chapter on "Implementing the Fourth Plan" and stated that it would be useful if in each State the Chief Ministers constituted a small group to process action on some of the recommendations. In the next two months, a great deal would have to be done to strengthen the machinery and many of the methods so that various programmes could be carried out effectively. Wherever particular projects or programmes involved some training programme or strengthening of the organisation, this action should be taken immediately as otherwise for many of the vital things full four years of implementation may not be available.

82. Regarding employment, Member observed that the position was not a satisfactory one. Quite apart from the back log which was estimated at roughly 9 to 10 million of unemployment, three-fourths of the people were in the rural areas. In the Fourth Plan, there would be an increase in the labour force of 23 million and in the next 10 years of 53 million. Against the 23 million, there was likely to be an increase in employment outside agriculture of about 14 million and within agriculture of about 4.5 to 5 million. There would thus still be a back log of 4 to 4.5 million. The Rural Works Programme envisaged would provide work for only 1½ million persons in slack season on an average of 100 days in a year. The total volume of employment depended on how the existing facilities were utilised and on the adequacy of current economic and other policies to meet the past difficulties. In some of the more markedly underdeveloped areas and in more densely populated areas, it was necessary in the matter of employment to have a more flexible approach and to be prepared for more than what the Plan envisaged because that was where many of the hardships of development came rather fiercely upon the weakest sections of the population.

83. Speaking about transport, he said, that a number of specific points were mentioned by the Chief Ministers of West Bengal, Jammu & Kashmir, Pondicherry and Tripura and he would write to them in detail instead of taking time at the meeting. Referring to the recommendation that at least one-fifth of the State Plan allocation for roads should be earmarked for rural market roads, he said that rural roads had suffered in the past and now that they were thinking of a whole net work of roads in terms of States and regions, it was very important that the provision for rural market roads

should be adequate. The Committee on Transport Policy and Co-ordination had recommended in its report that for rural market roads the Central Government should offer one-third of the expenditure incurred by way of grants. This recommendation, he said, was being pursued separately.

84. Member also referred to the subject of provision of house sites for Harijans, landless and others and stated that it was necessary to see that apart from making adequate allocation available under the Plan for acquiring land for them, there was also some sacrifice on the part of other communities in taking a few of their problems as an obligation which they owed to the weaker sections of the population. Also in providing house sites to Harijans, there should be no segregation. Explaining the provision made for the programme, he said that Rs. 25 crores would be available from the general housing sector, Rs. 15 crores from the sector of welfare of Backward Classes and something might come from the Community Development provision also. The idea was to take up villages with large concentration of population of Harijans and landless and to acquire appropriate land for them at reasonable prices and enable various people to come together in housing co-operatives to build houses. In dealing with the backward classes or tribal people, Member emphasised that the provision should be made from the general sectors of the Plan. It was extremely important that the Plan provisions should be so utilised that the capacities of these sections of the population to draw benefits from the general sectors was increased so that they could come in line with the other communities.

85. **Prof. P. C. Mahalanobis**, Member (PP), Planning Commission, stated that traditional cottage industries like handloom and weaving continued their production from month to month and even day to day, agriculture got its produce once a year, factories for manufacture of consumer goods would take something like five years, and establishment of heavy machines, steel, aluminium and electricity would take at least 15 years, but scientific research and development in every country, including USSR and China and even more so in India, would take 20 to 25 years or more. It was, therefore, necessary to build up a large scientific staff and facilities. He urged greater attention being directed to defence needs, import substitution and export promotion and thus have a change in the outlook on economic growth.

86. **Shri Gulzari Lal Nanda**, Union Minister of Home Affairs, speaking about land reforms, referred to the document "Implementation of Land Reforms—A Review" circulated to the members and hoped that they would go through it. The National Development Council, he said, attached great importance to this subject and it was in November, 1963 that a Committee of the NDC was constituted for the purpose of implementation of land reforms and the report which had been circulated contained the results of the studies that had been made by a team of officers that went from State to State and assessed the progress. The Home Minister was of the view that the present land policy did not call for any radical change; it only required to be vigorously implemented. The most important thing in the matter of land reforms was the security of tenure. The tiller of the land should feel that the land was his and that he would not be disturbed. Then only he could make the best use of it. The laws about security of tenure were there but in actual practice security had not been made available in full measure. For this, it was important that there should be complete records as it was not possible to make any planning without records. He also referred to voluntary surrenders of land and pointed out that these surrenders were not actually voluntary. There were different types of surrenders in different States. Necessary steps had to be taken to guard against the compulsion which was going on under the guise of voluntary surrenders. Then, there was the question of right of resumption. He was not in favour of continuing this right of resumption. He also wanted some machinery to be devised for collection of rents from the tenants for payment to the landlord to prevent all kinds of malpractices in the collection of rents by landlords.

87. Summing up the discussion, the **Prime Minister** observed that the period of the Fourth and Fifth Plans was a critical one for India's long-term development strategy, making the transition from the present stage of dependence on external assistance to a stage where the Indian economy had to generate adequate resources for its growth. The achievements of the three Plans had been significant and our capacity to generate additional resources had been strengthened. She felt that much of the disappointment was due to insufficient information about problems of planning and the record of our achievements. The National Development Council had given its general approval to the Draft Outline and this should now form the basis for further detailed work in the States and at the Centre. She pointed out that we were already in the first year of the Fourth Plan and it was urgent that the Plan should be worked out in concrete details, identifying each project, getting detailed project reports and determining the time phasing of activities in all important sectors and the output that was expected from the plan schemes by 1970-71. A start would have to be made on most of the projects during the current year itself or the next. This was specially important for projects for which commitments of foreign credit had to be negotiated. The Pian, as it was now drafted, was smaller in real content than the one which the NDC had approved last year and it was admittedly inadequate to the needs of the situation. This scale of effort had been arrived at as a kind of compromise. This was mainly because of uncertainty regarding resource mobilisation particularly in relation to foreign credit. To the extent that the actual availability was less, the country's efforts would have to be pushed up through greater exports in each sector. The Prime Minister stated that projects and schemes of higher priority, which should be insulated from all uncertainties and which must be carried through regardless of all circumstances, must be identified. The annual plan would take care of the need to effect any adjustments that may be necessary year by year. The Prime Minister appreciated the extremely useful ideas given at the meeting and assured that these would be given due consideration while giving a second look at the Plan and in drawing up the State Plans. She suggested that the full Plan should be ready by the end of the year and it should include the details of the State Plans. The general approach and priorities of the Plan was also approved. All the Chief Ministers had emphasised the necessity of ensuring stability of prices of essential goods, exercising utmost financial discipline and adopting a concerted policy in regard to financial and fiscal measures needed for development. She said that they were all agreed on the need for economy which could be achieved by most scientific and rational planning and execution of projects and by economising in construction. Scientific and modern administrative methods and performance could make considerable improvement in the economy. Utmost stress, she said, should be laid on speedy execution of projects and on the necessity of their yielding adequate returns.

88. Referring to the decision taken at the previous day's meeting about formation of a Committee to go into the procedure and pattern of Central assistance, the Prime Minister hoped that the Committee would be meeting in the afternoon. Another Committee of the NDC might be formed to go into the principles of allocation of Central assistance to States. She, however left it to the Chief Ministers to decide who should participate in the discussion on this matter with the Planning Commission.

89. Concluding, the Prime Minister thanked the Ministers for coming to the meeting and offering their valuable suggestions.

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi Prime Minister	.. .. ..	Chairman
Shri Asoka Mehta	.. .. ..	Deputy Chairman and Minister of Planning & Social Welfare
Shri Gulzarilal Nanda	.. .. ..	Minister of Home Affairs
Shri C. Subramaniam	.. .. ..	Minister of FACD & C.
Shri Sachindra Chaudhuri	.. .. ..	Minister of Finance.
Shri T.N. Singh	.. .. ..	Minister of Iron & Steel
Prof. P.C. Mahalanobis	.. .. ..	Member (PP)
Prof. M.S. Thacker	.. .. ..	Member (NR)
Shri Tarlok Singh	.. .. ..	Member (A & T)
Prof. V.K.R.V. Rao	.. .. ..	Member (AE & IT)
Shri S.G. Barve	.. .. ..	Member (Industry)

STATES

Andhra Pradesh	.. .. ..	Shri K. Brahmananda Reddy, Chief Minister
		Dr. M. Chenna Reddy, Finance Minister
Assam	.. .. ..	Shri B.P. Chaliha, Chief Minister
		Shri K.P. Tripathi, Planning Minister
		Shri Moinul Haque Choudhury, Flood Control Minister
Bihar	.. .. ..	Shri K.B. Sahay, Chief Minister
		Shri M.P. Sinha, Irrigation Minister

		Shri S.N. Sinha, Agriculture Minister
		Shri Ram Lakhan Singh Yadav, P.W.D. Minister
		Shri Arjun Narain Singh, Dy. Chairman, State Planning Board
		Shri Ambika Saran Singh, Minister of State (Finance)
		Shri Sahdeo Mahto, Minister of State (Irrigation)
Gujarat	.. .. ..	Shri Hitendrabhai K. Desai, Chief Minister
Jammu & Kashmir	.. .. ..	Shri G.M. Sadiq, Chief Minister
		Shri D.P. Dhar, Planning Minister
Kerala	.. .. ..	Shri Bhagwan Sahay, Governor
Madhya Pradesh	.. .. ..	Shri D.P. Mishra, Chief Minister
		Pandit Shambhu Nath Shukla, Finance Minister
		Shri Mishri Lal Gangwal, Planning Minister
		Shri Gautam Sharma, Food Minister
		Shri Arjun Singh, Minister of State (Agriculture)
Madras	.. .. ..	Shri M. Bhaktavatsalam, Chief Minister
		Shri R. Venkataraman, Industries Minister.

Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
		Shri S.K. Wankhede, Finance Minister
		Shri S.B. Chavan, Irrigation & Power Minister
		Shri G.D. Patil, Deputy Minister (Ind. & Planning)
Mysore	.. .. ..	Shri S. Nijalingappa, Chief Minister
		Shri Ramakrishna Hegde, Finance Minister
Nagaland	.. .. ..	Shri T.N. Angami, Chief Minister
		Shri Hokishe Sema, Finance Minister
		Shri R.C. Chiten Jamir Agriculture Minister
Orissa	.. .. ..	Shri Nilamoni Routroy, Deputy Chief Minister
Punjab	.. .. ..	Shri Dharma Vira, Governor.
Rajasthan	.. .. ..	Shri Mohanlal Sukhadia, Chief Minister
		Shri Mathuradass Mathur, Planning Minister
Uttar Pradesh	.. .. ..	Smt. Sucheta Kripalani, Chief Minister
		Shri Kailash Prakash, Finance Minister
West Bengal	.. .. ..	Shri P.C. Sen, Chief Minister

		Shri Saila Kumar Mukherjee, Finance Minister

UNION TERRITORIES

Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister
Manipur	.. .. ..	Shri M. Koireng Singh, Chief Minister
Pondicherry	.. .. ..	Shri V. Venkatasubba Reddiar, Chief Minister
		Shri A.S. Kankeyan, Finance Minister
Tripura	.. .. ..	Shri S.L. Singh, Chief Minister
		Shri S.M. Sen Gupta, Development Minister.

UNION MINISTERS

Shri Fakhruddin Ali Ahmed	.. .. ..	Minister of Irrigation & Power
Shri M.C. Chagla	.. .. ..	Minister of Education
Shri Y.B. Chavan	.. .. ..	Minister of Defence
Shri Jagjivan Ram	.. .. ..	Minister of Labour, Employment & Rehabilitation
Shri S.K. Patil	.. .. ..	Minister of Railways
Shri N. Sanjiva Reddy	.. .. ..	Minister of Transport, Aviation, Shipping & Tourism
Shri Manubhai Shah	.. .. ..	Minister of Commerce
Sardar Swaran Singh	.. .. ..	Minister of External Affairs
Shri O.V. Alagesan	.. .. ..	Minister of Petroleum & Chemicals
Shri B.R. Bhagat	.. .. ..	Minister of State in the Ministry of Finance
Shri S.K. Dey	.. .. ..	Minister of Mines & Metals
Shri Mehr Chand Khanna	.. .. ..	Minister of Works, Housing & Urban Development
Dr. Sushila Nayar	.. .. ..	Minister of Health & Family Planning

Shri K. Raghuramaiah	.. .. ..	Minister of Supply & Technical Development
Shri Raj Bahadur	.. .. ..	Minister of Information & Broadcasting

SPECIAL INVITEE

Shri P.C. Bhattacharyya	.. .. ..	Governor, Reserve Bank of India.

TWENTYFOURTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : DECEMBER 1 AND 2, 1967

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTYFOURTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

ITEM-I — PROGRAMME OF WORK

Since its reconstitution in September, 1967, the Planning Commission has been engaged in the formulation of the Annual Plan for 1968-69. The work on the formulation of the Fourth Five-Year Plan will be taken up after the completion of the Annual Plan for 1968-69.

2. Regarding the preparation of the Annual Plan for 1968-69, the Planning Commission has made an analysis of the current economic situation and the steps needed to revitalise the economy. The Commission has addressed the State Governments and the Central Ministries indicating the guidelines on the basis of which they may draw up draft Annual Plans. In the meantime, the Working Group on Resources has conducted a fresh examination of the likely availability of resources, both internal and external, for 1968-69. Discussions with State Governments, separately on resources and Plan proposals, have been scheduled and have commenced. A further schedule of meetings with Central Ministries has also been arranged.

3. In formulating the Annual Plan for 1968-69, the Planning Commission is taking into account (a) the needs of the continuing Plan projects and programmes, (b) maximum utilisation of existing capacities and infrastructure, (c) additional programmes related to developmental needs, and (d) avoiding the possible bottlenecks in the future. The constraint of resources demands a vigorous scrutiny of programmes proposed to be included with emphasis on physical feasibility based on actual performance in the past year or two. This assessment has to be carried out sector by sector in the light of recent trends, both favourable and unfavourable. In the State sector, this examination has to be done in the context of the special needs and circumstances of each State and it has to be borne in mind that the priorities and objectives may have to be defined differently in each State. All schemes included in the Plan should be subjected to a searching scrutiny and it may be necessary to drop some schemes which have not proved useful and not continue them merely because they have been included in the Plan in the past. Further, a coordinated view of related programmes has to be taken. For example, in agricultural production programmes, credit needs, the phsysical supply of inputs, marketing facilities, training schemes and such other factors as are pertinent should be assessed in an integrated manner in respect of each programme.

4. The fiscal and monetary policies underlying the formulation of the Annual Plan for 1968-69 and the budget should be identical. This is essential for the successful implementation of Plan projects and programmes as well as for the economy as a whole. In order to ensure this, the Planning Commission is holding a series of meetings with the Reserve Bank and the Department of Economic Affairs in order to work out a common approach.

5. The Planning Commission will take up the formulation of the Fourth Five-Year Plan in January 1968 after completion of the Annual Plan for 1968-69. The Fourth Five Year Plan will cover the period 1st April 1969 to 31st March 1974. The three years, 1966-67, 1967-68 and 1968-69 will be treated as annual Plan Years. It is proposed to have the draft Fourth Five Year Plan ready by September 1968 for being placed before the National Development Council.

ANNEXURE

Fourth Five Year Plan

The Memorandum on the Fourth Five Year Plan was published in October, 1964 and presented to the National Development Council. The Council constituted five Committees to consider various aspects of the Plan including resources. These Committees met between January and July 1965, and in the light of their recommendations a document entitled "Fourth Five Year Plan-Resources, Outlays and Programmes" was prepared by the Planning Commission and submitted to the National Development Council in September, 1965. This was the month of the Pakistan agression and the National Development Council authorised the Prime Minister to make such changes in the proposals contained in the Document as were considered necessary.

2. The economic situation greatly changed soon after, due in part to suspension of foreign credits following the hostilities. The Annual Plan for 1966-67 had to be prepared under these emergency conditions. Further deterioration of economic conditions culminating in the devaluation of the rupee in June 1966, necessitated considerable rethinking in relation to the Fourth Five Year Plan proposals. The Draft Outline of the Fourth Five Year Plan could not, therefore, be brought out before August 1966. Improvement in economic conditions did not follow devaluation and agricultural production suffered a sharp set-back during the two successive years 1965-66 and 1966-67. The droughts necessitated larger imports of foodgrains and raw materials and affected the country's capacity to export. Foreign receipts in 1966-67 were lower than in the previous year. These and other factors led to a sizable erosion of resources and the assumptions on which the resources estimates were based in the Draft Outline were upset. On the expenditure side, defence expenditure increased and the rise in prices made for a higher total level of expenditure and necessitated the grant of increasing dearness allowances. In the circumstances, the completion of the Fourth Five Year Plan was delayed and it was decided that the Annual Plan for 1967-68 should also be formulated in advance of the Fourth Plan in order to avoid a pause in the development process. The Annual Plan for 1967-68 was completed in June 1967 and submitted to Parliament.

3. When the Planning Commission was reconstituted in September, 1967, not much progress had been made with the completion of the final draft of the Fourth Five Year Plan. It was also obvious that many of the assumptions and calculations incorporated in the Draft Outline were no longer valid and that, to a large extent, fresh exercises would have to be made before the Fourth Five Year Plan could be completed. In the meanwhile, the work of the preparation of the Annual Plan for 1968-69 had to be taken up immediately. For the proposals incorporated in the Annual Plan for 1968-69 to be effectively incorporated in the budgets for 1968-69, it was necessary that the Annual Plan should be ready by January, 1968. As the work of preparation of the Plan would take at least three months, it was felt necessary that immediate attention should be concentrated on the preparation of the Plan. If a properly prepared plan for 1968-69 was not ready before January 1968, development of outlays during the year 1968-69 would not be properly balanced and coordinated. The reconstituted Commission, therefore, took up the work of the formulation of the Annual Plan in September, 1967 and is presently engaged on it. It is proposed to take up the work of the Fourth Five Year Plan in January, 1968 after the completion of the Annual Plan for 1968-69.

4. As indicated above, the Annual Plans for 1966-67 and 1967-68 have already been brought out and the latter is being implemented. Although there are signs of improvement in the Indian economy based on expectations of a bumper harvest in sight this year and the Annual Plan 1968-69 will, it is hoped, serve to stabilise the economy to some extent, there is still a good deal of uncertainty in the economy. In view of this, it is proposed that the years 1966-67, 1967-68 and 1968-69 should not be included in the Fourth Plan and the Fourth Five Year Plan, which should be a meaningful Plan for the future, should cover the period 1969-70 to 1973-74.

ITEM-II — ANNUAL PLAN FOR 1968-69— ITS BACKGROUND AND POLICY IMPLICATIONS

I. Economic trends : 1967-68

The Indian economy as at the middle of 1967-68 presents a mixed picture. In some respects there is ground for cautious optimism but certain other trends should arouse deep concern.

Agricultural production :

2. The level of agricultural production is expected to be substantially high. On present indications assuming normal weather during the rest of the agricultural year, production of foodgrains is placed around 95 million tonnes against the last year's final estimate of 75 million tonnes and previous record of 89 million tonnes in 1964-65. According to present anticipations the total production of jute and mesta may be of the order of 80 lakh bales against last year's level of 66 lakh bales. Sugarcane production may be somewhat better than last year's level of 95 lakh tonnes (Gur). Production of cotton is expected to be better than the last year's level of 49 lakh bales and production of groundnut has established a new record during 1967-68. Thus for the time being constraint on overall growth imposed by the set-back in agriculture over the past two years may loosen.

3. Industrial production, however, presents a marked contrast. During the first six months of calendar year 1967 there was a deceleration in the growth rate of industrial production. The general index of industrial production (1956=100) showed an increase of less than 1% during January-June, 1967 as compared to the corresponding period of the preceding year. The slow down was mainly due to the fall in manufacturing group which accounts for the bulk of the weights in the index. Within the manufacturing group jute manufacturing, foot-wear and copper recorded some improvement, the increase being less than 10%. There was a more substantial increase in brass manufacture (53%), aluminium manufacturing (31%), electric machinery (19%), rubber products (13.5%) and chemical products (11%). The major declines were in the output of industries based on agricultural raw materials with weightage of 48% in the general index of industrial production. This constitutes more than half of the weightage given to the total manufacturing industries. Agriculture-based consumer industries such as cotton textiles, wheat-flour and sugar fall within this category.

4. Industries producing capital goods have been hit worst. Reduction in public and private investment has adversely affected production of machine tools, steel castings, wagon buildings, bare copper conductors, diesel engines (vehicular types) and power transformers. Reduced State government allocations for water supply schemes have affected the demand for galvanised iron pipes. Only industries related to agricultural production where investment outlay has been maintained and even accelerated have done fairly well. These include fertilisers, pesticides, tractors, diesel engines (stationary types), pumps etc. Cotton textile machinery also suffered a slack in demand following cut-backs in the production of cotton textiles under the impact of sluggish demand and

reduced availabilities of raw-cotton. Lack of loan finance has also prevented many newly licensed sugar manufacturers from booking orders for sugar machinery.

5. There was a decline in the utilisation of capacity in several industries in the first half of 1967 as compared to the corresponding period of the preceding year. These include wheat-flour, sugar, sulphuric acid, caustic soda, soda ash, chlorine liquid, bichromates, alum, insulators, A.C. Sheets, finished steel, copper, diesel engines (vehicular types), machine tools, sewing machines, power transformers, radio receivers, house-service meters, conduit pipes and bare copper conductors. Some industries, however, registered increase in the utilisation of installed capacities. These include vanaspati, footwear, news-print, tyres and tubes, bleaching powder, copper sulphate, paints, grinding wheels, coated abrasives, aluminium, hurricane lanterns, oil pressure lamps, crown corks, thermos-flasks, dry-batteries, electrical lamps, electric fans, room air conditioners, cables and wires and bicycles.

6. Over the period July 1967 to March 1968, there may be further improvement in the output and capacity utilisation of agro-based industries due to the better availability of agricultural raw materials and also increase of demand following rise in real incomes. Some improvement in the output of other consumer goods particularly consumer durables may also be expected due to the activation of the pent up demand. Most of the capital goods industries now suffering slack can pick up only after investment in fixed capital gathers momentum. Some short-run improvement could, however, be secured if a vigorous drive to export their products is made. A beginning has already been made in this direction.

Prices :

7. The sharply rising trend in wholesale prices appears to have tapered off since July 1967. The average wholesale prices index (1952-53=100) rose from 203 in March 1967 to 220 in July 1967 and has since remained at that level. This was the result of a slower rate of increase in the prices of food articles and some softening in the prices of industrial raw materials and manufactures. The monthly index of food prices rose from 219 in March to 255 in July but only to 260 in September. In the food group, cereal price index rose from 195 in March to 226 in July and further to 228 in September. The index of manufactures showed a small decline from 167 in March to 165 in September and the index of industrial raw material prices from 238 in March to 213 in September.

8. With the arrival of new crop there may be some softening of food prices particularly in surplus areas. The full realisation of possibilities arising out of increased production of foodgrains depends on the vigour with which procurement effort is immediately undertaken and the success achieved by it. If government is able to procure large quantities of foodgrains and to operate effectively a system of fair price shops through the post-harvest months prices of foodgrains could be stabilised in the country as a whole. A well coordinated programme of procurement for this purpose and for making a beginning with the building up of a buffer stock has thus great importance and urgency. If the stipulated targets in these respects are realised it should not be difficult to attain the objective of stable food prices. Industrial raw material prices may also likewise get stabilised because of the larger supply.

9. The price of manufactured goods, particularly consumer goods may, however, harden under the pressure of brisk demand that may follow the rise in real incomes. This likelihood emerges from the low level of consumption during the last two years of depressed real incomes. It is noteworthy that during this period consumer goods prices have not shown any perceptible fall. The buoyancy in demand may provide opportunity for the raising of prices by manufacturers and traders. It is,

therefore, necessary to devise appropriate policy measures for stabilising the prices of the major essential consumer goods.

Exports :

10. The performance of exports during the period April-August is not very reassuring. Total value of exports during these five months amounted to $614 million as against $596 million in the corresponding period last year. This small improvement of $18 million has been because of the substantial step-up, during the months of June-July. Some further improvement in exports of agricultural and agriculture-based products may follow the improvement in output in the coming months if domestic demand is kept under restraint. Iron and steel may also show some further improvement. But the reversal of the downward trend caused by the fall in the unit value or in difficulties of timely delivery such as in iron-ore and manganese-ore may not be easy. With special efforts some improvement could be effected in the export of engineering industries facing slack in domestic demand.

National income :

11. The improvement in agricultural production is likely to push up national income in real terms, which may show a rise of about 10% during the current year as compared to a rise of about 3% in the preceding year.

Investment :

12. Public investment provided in the Government budget was itself lower than in the preceding year. Gross capital formation out of the budgetary resources of the Central Government was placed at Rs. 1726 crores for 1967-68 as against Rs. 1882 crores for 1966-67. When allowance is made for the rise in prices it would be still lower in real terms. Private investment has also been sluggish as indicated by the decline in the import of capital goods, particularly machinery, and the slack in the demand for domestically produced capital goods.

Savings :

13. Smaller investment has partly been the result of continued depression in domestic savings as indicated by the sluggishness in capital market, smaller increase in monetary resources and poor response to public loans and small savings. The Reserve Bank index of variable dividend industrial securities (1961-62=100) registered a decline of 4 per cent over the year ended June, 1967, as against no change in the preceding year. In the same period total monetary resources (i. e. money supply with the public plus time deposits with banks) increased by 8.2 per cent as against 11.6 per cent last year. Subscriptions to public loans and small savings have been Rs. 30 crores lower than the anticipation in the budgets for 1967-68. Net borrowings of the Central and State Governments during 1967-68 would be Rs. 190 crores as against Rs. 204 crores in 1966-67. Public savings are expected to deteriorate further over the anticipations in the budget because of the rise in Government's current expenditure following rise in prices and fall in revenues. The improvement in real incomes following good agricultural production and some recovery in industrial output will provide opportunity for stepping up domestic savings. Situation could be improved if the

increases in incomes are not allowed to be largely absorbed in increased consumption and appropriate measures are taken to channel a sizable part of extra incomes into the pool of domestic savings.

II. Resources for 1967-68 Plan

14. The provision for plan outlay in the current year is Rs. 2247 crores. Available reports indicate that plan programmes are proceeding to schedule. As against this the resources for 1967-68 Plan are likely to show a substantial deterioration both at the Centre and in the States. Consequently the uncovered gap of Rs. 54 crores left in the annual plan estimates could increase substantially both at the Centre and the States. The deterioration in Centre's resources is mainly due to the fall in tax revenues and surpluses of public undertakings, additional payment of dearness allowance to Government employees, increase in disbursements under food subsidy and larger expenditure on some non-plan items. Smaller subscription to market loans and small savings and lower utilization of external assistance have also contributed to it. In the States, the deterioration is largely due to extra payment of dearness allowance, fall in tax revenues and the surpluses of State enterprises, smaller additional taxation and increases in non-plan expenditure. This is, however, unevenly distributed as between different States. It is reflected in a smaller contribution of some States for the Annual Plan out of their own resources while in others in larger overall deficit. States likely to close the fiscal year with sizable over-drafts are Andhra Pradesh, Assam, Bihar, Madhya Pradesh, Mysore, Orissa and Rajasthan. If their overdrafts, roughly estimated at over Rs. 100 crores, become the first charge on their resources for the next year, their plans for 1968-69 will get correspondingly reduced.

15. The anticipated large gap in resources for 1967-68 poses a serious problem. Apart from the commitments already made, any abrupt cut in plan outlay would not only be wasteful but also aggravate the slack in economy and depress the prospect of a revival in growth. While a closer scrutiny of expenditure, particularly in defence and administrative expenditure, is imperative, any large economy in the short-run may not be feasible. To meet the entire gap by running into budgetary deficits, would not only be inconsistent with the declared objective of avoiding deficit financing but also add to the strain on the economy. The conclusion, therefore, is inescapable that Central and State Governments have to make earnest effort to mobilise additional resources to close a sizable part of the gap. Improvement in agricultural production and the consequential gains in real incomes provide a good opportunity for such an effort.

16. State Governments could take advantage of the improved situation and launch a vigorous drive to collect a substantial part of the large arrears in land revenue, irrigation charges, taccavi and other loans, cooperative dues etc. Recoveries were slow in the past two bad agricultural years and it would be quite in order to quickly intensify their collection in a good year. Likewise, the Centre could also intensify its effort to collect arrears on income-tax. In addition, possibilities have to be explored for additional levies to draw into the public exchequer a sizable part of the additional income generated in the economy. Immediate action to restrain the spurt in consumption and generate additional savings and exportable surplus is called for. A further strain on the economy has to be avoided if the economic climate is not to get worsened.

III. Annual Plan 1968-69

17. The economic outlook for 1968-69 will be conditioned by the steps taken during the rest of the current fiscal year as also the efforts subsequently made. If nature is not unfavourable and

measures for improving the productivity of agriculture are intensified through greater plough back of surpluses accruing to the farmers, the outturn from agriculture may be further improved. While emphasis on completion of continuing schemes and fuller utilisation of existing capacities and infrastructure already created shall have to continue, some selective step-up in fixed investments in the public sector particularly in railways, transport and power transmission may be necessary to counter the slack in the economy as also prevent future imbalances. New investment in industry will have to be selective in character, designed to promote greater production by stimulating demand where necessary and to overcome bottle-necks or to diversify output. Except in high priority fields like Fertilizers, major investment decisions on new projects may not be justified. Plan schemes may also have to be reviewed with the object of eliminating those not producing the intended effects or showing tardy progress. Some increases in the outlay on social services may, however, be necessary to correct the distortion caused by the severe cuts due to the constraint of resources in previous years. All these indicate that plan outlay for the coming year should not be lower than the level already reached and may have to be somewhat higher. In addition, provision will also need to be made for building up buffer stocks of food grains and to make up the decline in resources due to lower food aid. All this will not be practicable unless there is effective mobilisation of additional resources both by the Centre and the States such as will enable the economy to resume the path of stable growth. Improvement in economic outlook and increase in real incomes will provide opportunities for doing so and these should not be lost.

18. To prevent the increased money income generated in rural areas from pressing on consumer goods prices and thereby aggravating inflationary pressures in the economy the strategy of pumping money into agriculture in years of bad harvest should be progressively replaced by a strategy of attempting to plough back the surplus generated in the sector itself. The following course of action may be followed to achieve this end:

(1) It should be possible to withdraw all elements of subsidy from agricultural programmes excepting those intended specially to benefit small uneconomic holders.

(2) The better-off farmers should be made to contribute to their betterment out of their own resources and not encouraged to heavily lean on public funds.

(3) The drive for collection of arrears under taxes and loans could be further intensified and a part of the additional income generated in the agricultural sector siphoned off through appropriate taxation measures.

(4) Extension of agricultural income taxation in all States and its merger with general income-tax as indicated in the annexed note (Annexure I) is a possibility which will improve the equity as well as the efficiency of tax system and could make in the long run sizable addition to the resources of the State Governments.

(5) Step-up in irrigation rates with a view to covering the maintenance cost as indicated in Annexure II is another source open to State Governments for augmenting resources. This will not only prevent the drain on States' resources but also remedy the anomalous position of better-off farmers being subsidised by poorer farmers in the unirrigated areas and the less well-off sections of the population contributing to the general revenues.

(6) The State Electricity Boards could also with profit rationalise and step up their tariffs to mitigate the recurring losses and improve upon their rate of earnings. Statements B and C in Annexure II show that after meeting working expenses, depreciation charges and interest payments, State Electricity Undertakings had a net loss of Rs. 50 crores on a capital base of Rs. 1,637 crores in 1966-67 taken exclusively of works in progress.

For 1967-68 the net loss amounted to Rs. 43 crores on a still higher capital base of Rs. 1,983 crores. The large investment already made should yield a sizable return if further investment in these undertakings is to be justified. The note (Annexure II) suggests the possible measures that could be taken to achieve this objective.

(7) Equally urgent attention needs to be given to improve the operating efficiency and re-examine the pricing policy of Road Transport Undertakings and other industrial undertakings so that the large investments in these undertakings yield satisfactory returns. Improvement in their net earnings and generation of larger surpluses for reinvestment would be necessary if their expansion programmes are not to get stifled for want of investible resources. It is time that State Governments make an intensive probe into the financial working of these undertakings and take steps to improve upon their past performance.

19. Additional resource mobilisation through all possible measures by the Centre and the States will in any case be necessary. Taxation in particular would enable exercising restraint on consumption and generate additional savings and exportable surpluses. All this will go to keep the upward pressure on prices under restraint. If adequate buffer stock of foodgrains is built up during the current season and the distribution of foodgrains as well as other essential consumer goods is satisfactorily arranged through the net work of fair-price shops, consumer cooperatives etc. it should be possible to stabilise prices of essential articles and promote growth under conditions of stability. A sizable buffer stock of foodgrains and agricultural raw materials should also provide a commanding position to deal with any adverse turn in agriculture due to unforeseen vagaries of nature.

20. There will also be the need for public sector enterprises to generate larger surpluses by improving their efficiency of operation. To ensure this some sort of link between their expansion programmes and the size of their surplus may have to be established. The Planning Commission proposes to analyse in consultation with the appropriate Ministries and project authorities the reasons for their poor performance and to explore possible measures pertaining to management, sales promotion, pricing that could be adopted for effecting improvement in their net earnings. This will have to be followed up with a positive programme for augmenting their plough-back into the economy.

21. There will also be the necessity of drawing up a plan for the allocation of the available long-term finance for investment in public and private sectors. The scope and possibility of financial institutions providing support to capital goods industries to supply investment goods to users on deferred credit basis have also to be explored. There is need for all the financial institutions to be brought together for this purpose. In addition, adequate flow of short-term credit to finance exports and working capital requirements of agriculture and small scale industries is also necessary. There will at the same time be the need for keeping the overall supply of credit under check and ensuring that the likely increase in the demand for financing movements of goods do not suffer.

22. Small savings have so far remained institution based. The objective of extending the drive to rural areas and urban households has not yet been realised. A vigorous effort to make small savings movement broad-based is another direction in which steps have to be taken.

23. To realise export potential of handicrafts and handloom products as well as engineering goods, organisational efforts have to be extended and provision of long-term credit, after sale of service, promotional activities in foreign markets and guarantees for quality and timely delivery have to be made.

24. On the non-plan side, there is need for a thorough scrutiny of defence outlay not only for securing economies but also for locating the possible transfers of production programmes to private sector and thereby releasing resources for the plan.

ANNEXURE I

Merger of Agricultural Income-tax with the Central Income-tax

Two high-powered committees have examined this question in the past—the Taxation Enquiry Committee in 1925 and the Taxation Enquiry Commission in 1953-54. The former did not find any historical or theoretical justification for continuing the exemption granted to agricultural incomes in the then prevailing system of income taxation. The latter was more positive and made two important recommendations. It recommended that all States not levying agricultural income-tax should begin doing so. This will impart greater equity to their tax system as also provide them with a more elastic source of revenue. Such an extension, however, would be only the first step. The eventual aim should be to merge agricultural incomes with non-agricultural incomes and subject them to a uniform tax. The evolution of an integrated system of income taxation was, therefore, set as the final objective of reform in this area of taxation.

2. 14 years have since passed yet no progress has been made towards the realisation of this objective. Agricultural incomes continue to remain excluded from the base for Central income taxation. This exclusion results into inequity between tax-payers in as much as those with both agricultural and non-agricultural incomes are treated at par with those having non-agricultural incomes exclusively. Both are taxed at the same rate, although by virtue of larger incomes the former have greater ability to pay. This exclusion adversely affects the productivity as well as elasticity of Central income-tax. The Central tax does not get the benefit of improvement in agricultural incomes resulting from the rise in output or prices. On the contrary, exclusion of agricultural incomes causes leakages of Central revenues in several ways. Not only the base for the tax gets reduced, the applicable rates also get depressed over a large segment of middle and lower income groups of assessees. Such assessees, therefore, go undertaxed. Further, a number of income earners are pushed below the exemption limit by the exclusion of agricultural incomes and left untaxed. Finally, this exclusion opens a loop-hole for avoiding income-tax. Income-tax assessees over-state the excluded amount of their agricultural incomes and there is no way open to the tax authorities to verify its accuracy. In States where there is no agricultural income tax such a verification is just not possible but even in those States where agricultural income-tax is levied the plurality of tax authority renders it difficult.

3. While these deficiencies are serious enough the development of agricultural income-tax in the States can hardly be said to be satisfactory. In 1953-54 only half a dozen States levied agricultural income-tax. Today also only 9, out of 17, States levy this tax. These are Assam, Bihar, Kerala, Madras, Mysore, Jammu and Kashmir, Orissa, Maharashtra and West Bengal. Uttar Pradesh has substituted the large land holdings tax in place of agricultural income-tax. Rajasthan abolished agricultural income-tax levied on the recommendations of the Taxation Enquiry Commission. Like Punjab it now levies a surcharge on land revenue. Thus the coverage of the tax in terms of area remains extremely restricted and the extension of the tax to all States envisaged by the Taxation Enquiry Commission is yet to be attained.

4. The total yield from agricultural income tax is estimated at Rs. 11 crores for the current fiscal year but 30% of this yield comes from five States vis. Assam, Kerala, Madras, Mysore and

West Bengal and bulk of it (roughly 75%) is from plantations. The revenue realised from large cultivators constitutes only a small fraction of the total yield although benefits of agricultural development under the 5-year plans have by and large, gone to them and their incomes have considerably increased in the wake of rising prices and agricultural output. In some States further restrictions exist by virtue of exemptions granted in terms of types of crops in addition to the exemption limits fixed in terms of income. In Mysore agricultural incomes derived from lands under commercial crops are only taxable. In Jammu & Kashmir incomes derived from orchards, Maliari land or from cultivation of fruit plants only fall within the tax net. In Maharashtra agricultural income tax is designed for large sugarcane farms mainly and the exemption limit is pitched so high as Rs. 36,000.

5. The growth of revenue from agricultural income tax has hardly been commensurate with the increase in agricultural incomes at current prices. The yield from the tax was Rs. 10.7 crores in 1964-65 as compared to Rs. 9.5 crores in 1960-61, both these being years of good harvest. On this basis the average annual increase works out to 3.2% only as compared to an average annual increase of 12.5% in agricultural incomes at current prices. The low rate of growth of revenue reflects a very high order of under-assessment. This inference follows from the fact that the structure as well as the coverage of the tax have remained more or less unchanged over the period. The merger of agricultural income tax with the Central income tax will tend to correct this under-assessment as taxation of agricultural incomes will there be subject to the same administrative rigours as obtain in taxation of non-agricultural incomes.

6. The merger of agricultural and non-agricultural income taxation will as a consequence yield a sizable addition to Government revenue so vitally needed for financing development programmes. Although sufficient data are not available for making any precise estimate of additional yield, some broad calculations indicate that the merger would augment Government revenues by as much as Rs. 20-25 crores a year. This additional yield would be the combined effect of extension in coverage, broadening of tax base applicability of high rates and reduction in tax avoidance and evasion.

7. Two difficulties are often pointed out and used as argument against the merger. The first is the difficulty of assessment as agricultural income earners do not maintain proper accounts of their income and expenditure. This difficulty does not obtain in the case of organised farms-plantations or companies. Even in the case of individual cultivators the big landholders whom the merger will bring within the net, could not be supposed to maintain no accounts. Even if one concedes that they do not maintain accounts the requirements of the tax itself will make them do so and that by itself will be no mean achievement. This has been the experience in other fields of taxation. In several cases dealers assessed to sales tax did not maintain accounts in the beginning but have begun doing so. Some income tax assessees like small contractors, retail dealers not originally maintaining accounts have also started doing so. Moreover under sales tax and income tax assessment methods have been devised to assess tax liability of those not maintaining regular accounts. Their extension to agricultural income earners would be easier as the basic data on size of holdings and crop-wise acreage are readily available for agricultural income earners. Some of the States presently levying agricultural income tax take these and other indicators and make the "best judgement" assessment of tax on agricultural incomes. The base for tax is the "presumptive income" from agriculture arrived at on the basis of information available in Land Revenue and Block records or collected by inspectors on acreage under cultivation, loans for purchase of seed and fertilisers, quality of land, irrigation facility, mode of cultivation, number of bullocks and tractors maintained.

8. Difficulties in assessment of tax on agricultural incomes have also been faced in foreign countries. But instead of giving up agricultural income taxation or refraining from taxation of agricultural

incomes, attempts have in all of them been made to overcome these difficulties. For instance, in U.S.A. option is given to farmers to elect the normal accrual method of accounting or the cash method or the crop method for the computation of taxable income. This relaxation is based upon the considerations that few individual farmers have the training or facilities to maintain books and records adequate to support an accrual system and that even with respect to larger farmer organisations, book keeping personnel are not readily available in farm areas. In U. K. the owner or occupant of farm lands is assessed with presumptive income thereof as reduced by the Statutory repair allowance equal to 1/8th of the presumptive income. In Mexico, taxpayers with gross annual income of more than 10,000 but less than 2,00,000 pesos are taxed on the basis of gross income while those with gross annual income of 2,00,000 pesos or more are taxed on net income. In Brazil, two methods are permissible for taxation of agricultural income. If the taxpayer keeps reliable books and records showing his gross income and expenses, he may elect to be taxed on net income. The law does not prescribe any particular books or methods of book-keeping for these taxpayers as it does for other entities. Any informal records which clearly disclose income and expenses are acceptable to the fiscal authorities. If the taxpayer keeps no books or maintains books not acceptable to fiscal authorities, the law substitutes an amount of 5 per cent of the value of the property as the net income on which tax is computed. The property included are land and pastures, buildings and other improvements, equipment, agricultural machines, permanent crops, work animals and animals held for income. Where the value of all property cannot be exactly determined, the fair market value of the land plus 10 per cent to cover all other items is taken as the basis for computing taxable net income.

9. The other difficulty pertains to the Constitutional restriction. It is true that the tax on agricultural incomes is in the States List (Entry 46 List II) while the tax on incomes other than agricultural incomes is in the Union List (Entry 82 List I) but it is not necessary to amend the Constitution to bring about the merger of agricultural incomes with non-agricultural incomes under a unified tax system. This could be done if the States agree to the merger in principle and adopt resolutions as provided under Article 252(1) of the Constitution delegating the necessary authority to the Union Parliament. There is already a precedent as a similar procedure was adopted in the case of Estate Duty on agricultural land.

10. The additional revenue amounting to Rs. 100-125 crores over a 5 year period would be a sizable compensation to the States. The States could be allowed to retain the entire amount for financing their plan and for this purpose some formula could be devised by which the extra yield resulting from the merger could be calculated and transferred to the State.

11. Such a reform is particularly important as there is hardly any other equitable method available for mobilizing agricultural surpluses generated by plan investments. Land revenue besides being a non-progressive tax is completely inelastic to improvement in output or rise in agricultural prices. Taxation Enquiry Commission recommended a formula to repair this latter deficiency and impart some degree of responsiveness in the yield from land revenue to price changes. But the States have not found it possible to adopt it. Some States have levied surcharge on land revenue but the measure of improvement in equity resulting from it is negligible for the linkage of the surcharge with the size of holding is either not there or is very weak even where it exists. Land revenue as a form of tax is in fact withering away and cannot be satisfactorily rehabilitated in view of popular opposition. Cesses on agricultural crops with shiftable incidence could hardly be a satisfactory instrument for mobilising surpluses originating in agriculture. Extension of income taxation and its super-imposition on land revenue paid by large cultivators is perhaps the only way to achieve this end in an equitable manner.

ANNEXURE I(i)

Trends in Receipts from Agricultural Income Tax in Recent Years

	States	1960-61 (Accts)	1964-65 (Accts)	(Rs. lakhs) 1967-68 (B.E.)
		1	2	3
1.	Andhra Pradesh	3	—	—
2.	Assam	274	389	399
3.	Bihar	51	22	28
4.	Gujarat	—	—	—
5.	Haryana	—	—	—
6.	Jammu and Kashmir	—	—	1
7.	Kerala	235	205	260
8.	Madhya Pradesh	—	—	—
9.	Madras	135	143	136
10.	Maharashtra	—	107	26
11.	Mysore	81	101	133
12.	Orissa	4	7	4
13.	Punjab	—	—	—
14.	Rajasthan	4	4	2
15.	Uttar Pradesh*	86	18	40
16.	West Bengal	85	77	72
17.	Nagaland	—	—	—
	Total	958	1073	1101

*Tax on Large Land Holdings.

In Punjab, there is a special surcharge on land holdings in lieu of Agricultural Income Tax. The yield is, however, very small. In Rajasthan, the Tax was abolished in 1960. The figures indicated above represent collection of arrears.

ANNEXURE I(ii)

Agricultural Income Tax
Basic Rates

(In percentage of Income)

Annual Income	Assam	Bihar	J&K	Kerala*	Madras	Maha-rashtra	Mysore	Orissa	West Bengal
1	2	3	4	5	6	7	8	9	10
On first Rs. 1,000	—	—	—	—	—	—	—	—	—
On the next Rs. 500	—	—	—	—	—	—	—	—	—
,, ,, Rs. 500	4	5	—	5	—	—	3	2	5
,, ,, Rs. 1,000	4	5	—	5	—	—	3	2	5
,, ,, Rs. 500	4	5	8	5	—	—	3	3	5
,, ,, Rs. 100	4	5	8	5	—	—	3	3	5
,, ,, Rs. 1,400	4	5	8	5	5	—	3	3	5
,, ,, Rs. 2,000	8	11	8	11	15	—	6	6	8
,, ,, Rs. 500	8	11	8	11	15	—	6	6	8
,, ,, Rs. 2,500	12	11	8	11	15	—	6	6	8
,, ,, Rs. 2,500	15	16	11	18	20	—	9	9	12
,, ,, Rs. 2,000	19	16	11	18	20	—	9	9	12
,, ,, Rs. 500	19	16	11	18	25	—	9	9	12
,, ,, Rs. 5,000	27	22	11	25	25	—	12	16	19
,, ,, Rs. 4,500	37	25	20	25	30	—	15	22	25
,, ,, Rs. 500	37	25	20	25	30	—	15	22	25
,, ,, Rs. 5,000	37	25	20	25	45	—	18	29	25
,, ,, Rs. 5,000	37	25	20	25	45	—	18	36	25
,, ,, Rs. 1,000	37	25	20	25	45	—	21	44	25
,, ,, Rs. 4,000	37	25	20	25	45	50	21	44	25
,, ,, Rs. 10,000	37	25	20	25	45	50	21	50	25
,, ,, Rs. 5,000	45	25	25	25	45	50	25	50	25
,, ,, Rs. 15,000	45	25	25	25	45	50	25	62	25
,, ,, Rs. 15,000	45	25	25	25	45	50	25	69	25
,, ,, Rs. 15,000	45	25	25	25	45	50	25	72	25
,, ,, Rs. 15,000	57	25	25	25	45	50	40	75	25
,, ,, Rs. 85,000	57	25	25	25	45	50	40	78	25
On the balance	60	25	25	25	45	50	40	78	25
Exemption Limit for :									
(i) Individual	3,000	3,000	3,000	3,600	3,600	36,000	3,500	5,000	3,000
(ii) Hindu Undivided Family				6,000			7,500	5,000	

*A surcharge of 5% is levied on the Basic Rate on all types of Assessees.

ANNEXURE I(iii)

Agricultural Income Tax—Supertax

(In percentage of Income)

Annual Income	Bihar	Kerala*	Madras	Mysore
The First Rs. 25,000	—	—	—	—
The next				
Rs. 5,000	6	12	10	9
Rs. 5,000	6	12	10	9
Rs. 5,000	9	12	10	9
Rs. 5,000	9	16	15	9
Rs. 5,000	13	16	15	9
Rs. 5,000	13	16	15	12
Rs. 5,000	16	22	20	12
Rs. 5,000	16	22	20	12
Rs. 5,000	19	22	20	12
Rs. 5,000	19	28	30	12
Rs. 5,000	22	28	30	15
Rs. 5,000	22	28	30	15
Rs. 5,000	22	34	35	15
Rs. 5,000	25	34	35	15
Rs. 5,000	25	34	35	15
Rs. 5,000	25	41	40	20
Rs. 5,000	28	,,	,,	,,
Rs. 5,000	28	,,	,,	,,
Rs. 5,000	28	,,	,,	,,
Rs. 5,000	31	,,	,,	,,
Rs. 10,000	31	,,	,,	,,
Rs. 15,000	31	,,	,,	,,
Rs. 5,000	33	,,	,,	,,
the Balance	—	,,	,,	,,

*A surcahge of 5% on supertax is levied in cases of all types of assessees.

Agricultural Income Tax—Companies

State	Income slab	Rate as% of income
1	2	3
Assam	Upto Rs. 1 lakh next 1 lakh Balance	45 57 60
Kerala	Whole Income	25+supertax from 12% to 41%
Madras	Whole Income	45
West Bengal	Whole Income	40

ANNEXURE II

Financial Returns from Irrigation Projects

Irrigation works constructed in the recent years and those under construction at present are much more expensive, than works built in the past, partly on account of higher costs of material and labour and partly on account of more difficult and more expensive means of making supplies available viz. high dams etc. For this reason, and also on account of the increased cost of maintenance and operation of old and new projects, adequate returns are not being secured and irrigation systems are at present working at a loss in all the States.

2. Water rates should ordinarily cover working expenses and debt charges and, outside scarcity areas, irrigation schemes should not involve loss to general revenues. Unlike other welfare measures, irrigation facilities are available only to people whose areas are served by an irrigation system. It is, therefore, but fair that the people who avail of the facility should adequately pay for it and not impose a burden on the rest of the community. While prices of agricultural produce have been steadily rising and the cultivators utilising irrigation facilities have been deriving increasing benefit, there has not been any commensurate increase in the irrigation charges.

3. To bring about substantial improvements in financial returns the following steps were recommended in the Third Plan document:-

(i) Speeding up of utilisation of irrigation facilities created by irrigation projects;

(ii) Revision of water rates and introduction of compulsory water cess;

(iii) Recovery of betterment levy; and

(iv) Economy in the use of irrigation supplies.

4. The working of irrigation projects in relation to their financial returns was discussed at the conference of Irrigation and Power Ministers held in January, 1964. A Committee headed by Shri S. Nijalingappa, Chief Minister of Mysore was set up in April, 1964, to examine the whole question and suggest ways and means of improving financial returns from irrigation projects. The Committee, inter-alia, made the following recommendations:-

(i) water rates should be on the basis of a suitable percentage of the additional net benefit to the farmers;

(ii) in States where irrigation charges are optional there should be a charge to cover at least maintenance and operation charges, whether the facility is actually made use of or not;

(iii) a betterment or capital levy should be charged on irrigation projects, the quantum and mode of recovery being determined by the State Governments;

(iv) economic-benefit criterion should be adopted for sanctioning irrigation projects instead of the present financial criterion.

Recommendations (i) to (iii) were commended to the State Governments by the Ministry of Irrigation and Power. The criterion indicated at (iv) is now being followed in sanctioning irrigation projects.

5. This subject came up again for discussion at the recent conference of State Ministers of Irrigation and Power, held in May 1957. It was generally agreed at the conference that in view of the urgent need to raise resources to meet interest and maintenance charges, water rates should be suitably fixed in the light of the recommendations made by the Nijalingappa Committee.

6. Statements, I, II and III give state-wise figures of gross receipts, working expenses, interest charges on the capital outlay and the net loss in 1965-66, 1966-67 and 1967-68 on commercial irrigation works. Statement IV gives a state-wise abstract of loss in these years. It is to be noticed that the loss is considerable and is progressively increasing from Rs. 41.49 crores in 1965-66 to Rs. 43.77 crores in 1966-67 and to Rs. 46.25 crores in 1967-68. The losses are substantially more when non-commercial irrigation works are also taken into account.

7. If large investments are to continue to be made on irrigation projects, as it must, then it becomes imperative to bring the irrigation works on sound financial footing. It is, therefore, important that the State Governments should take urgent steps to implement the recommendations of the Nijalingappa Committee.

Statement I

Financial return from Irrigation Works—Commercial

1965-66 (actuals)

(Rs. lakhs)

Sl. No.	Name of State	Gross receipts	Working expenses	Net revenue (+) or (—)	Interest charges on capital outlay	Net loss (—)
1	2	3	4	5	6	7
1.	Andhra Pradesh	19	243	(—)224	489	(—)713
2.	Bihar	191	163	28	47	(—)19
3.	Gujarat	63	67	(—)4	377	(—)381
4.	Kerala	9	17	(—)8	110	(—)118
5.	Madras	141	130	11	382	(—)371
6.	Maharashtra	188	99	89	497	(—)408
7.	Mysore	44	93	(—)49	559	(—)608
8.	Orissa	40	24	16	102	(—)86
9.	Punjab and Haryana	549	292	257	357	(—)100
10.	Rajasthan	52	23	29	435	(—)406
11.	Uttar Pradesh	1441	1310	131	762	(—)631
12.	West Bengal	32	34	(—)2	32	(—)34
	Total	2769	(—)2495	274	(—)4149	(—)3875

N.B. (1) There are no commercial irrigation works in Assam and Jammu and Kashmir.

(2) Madhya Pradesh Government is not maintaining commercial account for irrigation works.

Statement II

Financial return from Irrigation Works—Commercial

1966-67 (revised estimates)

(Rs. lakhs)

Sl. No.	Name of State	Gross receipts	Working expenses	Net revenue (+) or (—)	Interest charges on capital outlay	Net loss (—)
1	2	3	4	5	6	7
1.	Andhra Pradesh	369	222	147	535	(—)388
2.	Bihar	92	150	(—)58	47	(—)105
3.	Gujarat	89	71	18	400	(—)382
4.	Kerala	13	16	(—)3	117	(—)120
5.	Madras	170	137	33	419	(—)386
6.	Maharashtra	207	92	115	602	(—)487
7.	Mysore	38	120	(—)82	651	(—)733
8.	Orissa	23	44	(—)21	273	(—)294
9.	Punjab and Haryana	497*	270*	227	378*	(—)151
10.	Rajasthan	51	34	17	58	(—)41
11.	Uttar Pradesh	1372	1528	(—)156	857	(—)1013
12.	West Bengal	17	30	(—)13	40	(—)53
	Total	2938	(—)2714	224	(—)4377	(—)4153

*Budget estimates.

N.B. (1) There are no commercial irrigation works in Assam and Jammu and Kashmir.

(2) Madhya Pradesh Government is not maintaining commercial account for irrigation works.

Statement III

Financial return from Irrigation Works—Commercial

1967-68 (anticipated)

(Rs. lakhs)

Sl. No.	Name of State	Gross receipts	Working expenses	Net revenue (+) or (—)	Interest charges on capital outlay	Net loss (—)
1	2	3	4	5	6	7
1.	Andhra Pradesh	19	189	—170	584	—754
2.	Bihar	125	163	—38	48	—85
3.	Gujarat	95	77	18	419	—401
4.	Kerala	16	17	—1	121	—122
5.	Madras	172	150	22	435	—413
6.	Maharashtra	230	100	130	705	—575
7.	Mysore	133	132	1	700	—699
8.	Orissa	89	47	42	336	—249
9.	Punjab and Haryana	460	363	97	420	—323
10.	Rajasthan	62	26	36	60	—24
11.	Uttar Pradesh	1573	1520	53	928	—875
12.	West Bengal	17	33	—16	44	—60
	Total	2991	—2817	174	—4799	—4625

N.B. (1) There are no commercial irrigation works in Assam and Jammu and Kashmir.

(2) Madhya Pradesh Government is not maintaining commercial account for irrigation works.

Financial Working of Electricity Undertakings

Power development is capital intensive and investments in this industry would be on an ever increasing scale. It was, therefore, emphasised in the Third Plan document that electricity undertakings in the public sector should earn reasonable surpluses and provide resources for future development. This matter was discussed at the Conference of Irrigation and Power Ministers held at New Delhi in January, 1964. The conference noted that the financial position of most of the State Electricity Boards in the country was unsatisfactory and that in the interest of promoting healthy power development immediate steps were necessary to put the Boards on a sound financial footing.

2. In April, 1964, the Government of India appointed a Committee under the Chairmanship of Shri R. Venkataraman, the then Minister of Industry, Madras, to look into the financial position of the State Electricity Boards and to suggest : (i) ways and means of improving the revenues of the various State Electricity Boards and also the income from electricity duty; and (ii) the pattern of relationship between the tariff and electricity duty.

3. The Committee submitted its report in October, 1964 and after consulting the State Governments etc. its recommendations were accepted by the Government of India. The recommendations inter alia were :

(a) "The first phase of the objective for all the State Electricity Boards should be to aim at higher revenues sufficient to cover operation and maintenance charges, contributions to the General and Depreciation Reserves and interest charges on loan capital. Boards which have not already achieved this should aim at realising the objective within a period of three to five years."

(b) "As a second phase objective, the Board should aim at achieving a balance of revenue after meeting all charges indicated in the first phase, working out a net return of 3 per cent on the capital base. Boards which have already achieved the first phase should immediately proceed to realise the second phase and the other Boards should aim at achieving the second phase within three to five years of their achieving the first phase."

4. A loan of $70 million for Transmission Programme in the country was under negotiation with the World Bank at that time. The world Bank insisted that the stipulation that State Electricity Board must earn the returns as per recommendations of the Venkataraman Committee, would be necessary in the Loan Agreement. This was done and in this connection the State Electricity Boards furnished the undertakings, duly endorsed by the State Governments, to the World Bank.

5. Statement 'A' gives the financial projection in terms of percentage return upto 1970-71, according to the undertaking given to the World Bank by the various Boards. It would be seen that the Boards of Madhya Pradesh, Madras, Mysore, Punjab and U. P. were classified in a category which had achieved better financial returns and these Boards were, therefore, required to achieve 11% return comprising 6% interest, 3% net profit, ½% general reserve and 1½% electricity duty by 1968-69, on the capital base including the cost of works in progress. The other Boards, viz., Andhra

Pradesh, Assam, Bihar, Gujarat, Kerala, Maharashtra, Rajasthan, West Bengal and the Delhi Electricity Supply Undertaking were to achieve the 11 % return in two stages viz. 6½% return on capital base including expenditure on works in progress by 1967-68 (6½% was not to include the revenue from electricity duty) and 11% return by 1970-71. The World Bank agreed to amend the undertaking to be given by the Punjab State Electricity Board that the capital base would not include assets for Beas Project upto 1973-74. In the case of Assam, the World Bank agreed that 11 % return should be achieved by 1975-76. The actual achievement, however, has fallen short of expectations in all the States.

6. At the meeting taken by the Secretary, Ministry of Irrigation and Power, in February 1967, the representatives of the State Electricity Boards and the State Governments indicated that it might not be possible for them to achieve the financial return as stipulated in the undertaking given to the World Bank, if the stipulated return was to be achieved on the works in progress also. It may be noticed from statements B and C that even after excluding the works in progress, the position in most of the States is not satisfactory. These statements indicate that after meeting the working expenses, comprising operation and maintenance charge and depreciation reserve, and payment of interest charges, the net loss has been of the order of Rs. 50 crores in 1966-67 and is anticipated to be about Rs. 43 crores in 1967-68.

7. It is important that the electricity undertakings should work on commercial lines and earn adequate returns. This has become imperative on account of the urgent need to mobilise resources for the Plan. Large amounts are being advanced for power projects, and if these investments do not bring adequate returns it becomes difficult to meet increasing demands for funds. Immediate steps on the part of the State Governments and the State Electricity Boards to improve the financial position of the Boards are therefore called for. Amongst the steps which should be considered are :-

(1) Raising of tariffs,

(2) Economy in operation and maintenance, and

(3) Efficient operation of the power stations and power systems.

Statement A

Statement showing the percentage on Capital Base for the Year 1964-65 to 1970-71

Sl. No.	Name of Electricity State Board	64-65	65-66	66-67	67-68	68-69	69-70	70-71	Remarks
1	2	3	4	5	6	7	8	9	10
1.	Andhra	2.3	3.0	7.9	12.3	10.1	12.0	10.7	
2.	*Assam	—	—	2.81	3.39	3.8	5.5	5.7	Beyond 1970-71 Please see below**
3.	Bihar	—	—	1.97	6.48	6.69	8.31	10.54	
4.	Gujarat	2.07	2.63	4.7	6.5	6.6	8.2	9.67	
5.	*Kerala	2.86	2.75	6.7	7.0	9.5	9.75	11.02	
6.	Madhya Pradesh	4.12	4.31	5.5	7.27	9.56	9.56	9.82	
7.	Madras	4.3	4.9	6.40	5.3	9.9	11.2	13.6	
8.	*Maharashtra, including Koyna	5.32	5.6	7.85	7.47	9.1	9.98	11.29	
9.	Mysore including Sharavati	2.51	5.34	8.50	9.10	9.51	10.55	11.25	
10.	Orissa including Hirakud, Talcher etc.	4.84	4.3	5.2	6.5	7.2	9.5	12.4	
11.	Punjab	6.7	7.3	8.4	9.2	10.1	11.3	12.2	Excludes works in progress at Beas
12.	Rajasthan	2.8	2.2	4.3	7.9	8.2	8.8	9.6	
13.	*U.P.	5.4	5.3	7.7	8.5	11.0	11.0	11.0	
14.	*W. Bengal, including Durgapur	1.95	2.7	8.6	7.8	10.3	10.6	12.8	
15.	DESU	—	3.0	5.0	6.6	7.28	8.67	9.58	

*Note : The figures shown in columns 7, 8 and 9 in respect of Assam, Kerala, Maharashtra, U.P. and West Bengal only include Electricity Duty.

**		1971-72	1972-73	1973-74	1974-75	1975-76
	11 Assam Continued	6.1	6.83	9.8	10.0	11.3

Statement B

Statement of Financial Returns of Electricity Undertakings in States—1966-67

(Rs. crores)

	Name of State Electricity Board	Excluding works in progress			Including works in progress			As agreed to with World Bank	Amount at 6% interest	Loss(—) or gain (+) after paying interest
		Capital Base	Net income	Percent-age return	Capital Base	Net income	Percent-age return	Percentage		
1.	Andhra Pradesh	123.11	2.44	1.98	187.11	2.44	1.30	7.90	11.22	(—) 8.78
2.	Assam	38.07	(—) 0.96	(—) 2.50	56.07	(—) 0.96	(—) 2.07	2.81	2.76	(—) 3.72
3.	Bihar	89.33	1.18	1.21	138.35	1.18	0.84	1.97	8.30	(—) 7.12
4.	Gujarat	91.26	4.68	5.13	100.52	4.68	4.63	4.70	6.03	(—) 1.35
5.	Kerala	80.06	2.82	3.53	103.72	2.82	2.73	6.70	6.22	(—) 3.40
6.	Madhya Pradesh	114.50	9.25	8.07	173.00	9.25	5.34	5.50	10.38	(—) 1.13
7.	Madras	190.27	11.56	6.10	224.73	11.56	5.10	6.40	13.48	(—) 1.92
8.	Maharashtra	165.00	9.75	5.90	185.67	9.75	5.22	7.85	11.14	(—) 1.39
9.	Mysore	142.48	11.25	7.90	168.83	11.25	6.70	8.50	10.13	(+) 1.12
10.	Orissa	66.42	1.93	2.91	118.32	1.93	1.63	5.20	7.10	(—) 5.17
11.	Punjab	162.50	12.50	7.70	212.00	12.50	5.90	8.40	12.72	(—) 0.22
12.	Rajasthan	50.34	(—) 0.16	(—) 0.32	77.74	(—) 0.16	(—) 0.20	4.30	4.67	(—) 4.83
13.	Uttar Pradesh	226.85	9.25	4.08	317.04	9.25	2.92	7.70	19.02	(—) 9.77
14.	West Bengal	72.00	5.27	7.31	111.50	5.27	5.20	8.60	6.69	(—) 1.42
15.	DESU	25.09	1.48	5.91	42.72	1.48	3.47	5.00	2.56	(—) 1.08
	Total	1637.28	82.24		2207.32	82.24			132.42	(—) 50.18

Note : 1. Figures as obtained from Central Water and Power Commission.

2. Net income represents amount remaining after meeting working expenses i.e. operation and maintenance charges and depreciation reserve.

Statement C

Statement of Financial Returns of Electricity Undertakings in States—1967-68

(Rs. crores)

	Name of State Electricity Board	Excluding works in progress			Including works in progress			As agreed to with World Bank	Amount at 6% interest	Loss(—) or gain (+) after paying interest
		Capital Base	Net income	Percent-age return	Capital Base	Net income	Percent-age return	Percentage		
	1	2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh	168.83	11.38	6.74	211.61	11.38	5.4	12.30	12.70	(—) 1.32
2.	Assam	43.00	(—) 0.89	(—) 2.07	55.00	(—) 0.89	(—) 1.62	3.39	3.30	(—) 4.19
3.	Bihar	106.77	1.28	1.20	157.63	1.28	0.81	6.48	9.46	(—) 8.18
4.	Gujarat	94.78	6.05	6.39	114.07	6.05	5.31	6.50	6.84	(—) 0.79
5.	Kerala	89.87	4.62	5.14	117.93	4.62	3.92	7.00	7.08	(—) 2.46
6.	Madhya Pradesh	131.00	8.49	6.49	176.00	8.49	4.81	7.27	10.56	(—) 2.07
7.	Madras	193.46	12.02	6.02	243.38	12.02	4.90	5.30	14.60	(—) 2.58
8.	Maharashtra	180.00	13.00	7.30	203.78	13.00	6.39	17.47	12.23	(—) 0.77
9.	Mysore	164.16	12.65	7.70	186.87	12.65	6.90	9.10	11.21	(+) 1.44
10.	Orissa	68.43	4.85	7.10	132.02	4.85	3.67	6.50	7.92	(—) 3.07
11.	Punjab	210.00	14.30	6.80	252.00	14.30	5.90	9.20	15.12	(—) 0.82
12.	Rajasthan	51.03	0.39	0.76	88.64	0.39	0.50	7.90	5.32	(—) 4.93
13.	Uttar Pradesh	304.28	11.80	3.88	370.44	11.80	3.18	8.50	22.23	(—) 10.43
14.	West Bengal	132.50	6.03	4.55	149.50	6.03	4.03	7.80	8.97	(—) 2.94
15.	DESU	45.05	1.58	3.50	52.78	1.58	2.98	6.60	3.17	(—) 1.59
	Total	1983.16	107.55		2511.65	107.55			150.71	(—) 43.16

Note : 1. Figures are as obtained from Central Water and Power Commission.

2. Net income represents the amount remaining after meeting working expenses, i.e. operation and maintenance charges and depreciation reserve.

Statement IV

Financial Return from Irrigation Works—Commercial

(Rs. lakhs)

Sl. No.	Name of the State	Net loss 1965-66 (Actual)	1966-67 (Revised estimates)	1967-68 (Anticipated)
1	2	3	4	5
1.	Andhra Pradesh	(—) 713	(—) 388	(—) 754
2.	Bihar	(—) 19	(—) 105	(—) 85
3.	Gujarat	(—) 381	(—) 382	(—) 401
4.	Kerala	(—) 118	(—) 120	(—) 122
5.	Madras	(—) 371	(—) 386	(—) 413
6.	Maharashtra	(—) 408	(—) 487	(—) 575
7.	Mysore	(—) 608	(—) 733	(—) 699
8.	Orissa	(—) 86	(—) 294	(—) 294
9.	Punjab and Haryana	(—) 100	(—) 151	(—) 323
10.	Rajasthan	(—) 406	(—) 41	(—) 24
11.	Uttar Pradesh	(—) 631	(—) 1013	(—) 875
12.	West Bengal	(—) 34	(—) 53	(—) 60
	Total	(—) 3875	(—) 4153	(—) 4625

N.B. 1. There are no commercial/irrigation works in Assam and Jammu and Kashmir.

2. Madhya Pradesh Govt. is not maintaining commercial account for irrigation works.

ITEM-III — SETTING UP OF AN EVALUATION WING IN THE PLANNING COMMISSION—REORGANISATION OF THE COMMITTEE ON PLAN PROJECTS.

The Administrative Reforms Commission's Study Team on the Machinery for Planning have suggested a full-fledged Evaluation Wing to be set up within the Planning Commission for the discharge of its progress evaluation function more effectively and to secure better plan implementation in the country.

2. The function of progress-reporting and evaluation is presently carried out by the three separate units within the Planning Commission, namely, the Committee on Plan Projects, the Programme Evaluation Organisation and the Plan Coordination Section of the Planning Commission. The COPP was formed by the National Development Council in 1956 to evaluate implementation of selected development projects, evolve suitable techniques for securing economy and efficiency in the execution of development projects in different sectors, promote development of suitable machinery for continuous efficiency audit in individual projects and in agencies responsible for their execution and make the results of studies and investigations generally available. It was also expected to ensure that suggestions made in the reports prepared by it were implemented. The COPP investigations which were intended to cover all sectors of the economy have produced reports on a very wide range of subjects including Community Development and NES, Irrigation and Power Projects, Industry and Mining Projects, Metropolitan Transport and Transport Services, seed-multiplication schemes, grain storage, slum clearance, projects in the social sector, performance budgeting, area development, feasibility studies and a variety of management studies etc.

3. The COPP, conceived as a top-level Committee, with the Home Minister as Chairman and Finance Minister, Planning Minister, Dy. Chairman, Planning Commission and the Cabinet Minister at the Centre concerned with the area of study and two Chief Ministers as Members for review of the work of the Study Teams and the implementation of the recommendations has, however, not been in operation for several years. In practice, the Secretary of the Committee consulted the Dy. Chairman and where necessary the Member of the Planning Commission concerned with the subject and obtained formal orders of the Home Minister for undertaking a particular study and setting up teams for the purpose. Over the past 3 years, the day-to-day work of the COPP has been attended to by a Member of the Planning Commission but at each important stage, the Dy. Chairman of the Planning Commission and the Chairman of the Committee have been consulted by him and their concurrence obtained.

4. The Study Teams which investigate into specific problems are set up by a resolution of Government. These teams are constituted after the problems and areas of study have been identified by the COPP on the basis of reconnaissance studies into selected projects. The personnel of the teams is broad-based and is drawn from Parliament, State legislatures, Government officials and professionally qualified men from the public. The teams carry out their studies in consultation and collaboration with the project authorities and representatives from States and Central Ministries. The reports are discussed at all levels responsible for decision-making in connection with the concerned project.

5. Because of the temporary nature of the Study Teams it had not been possible for the COPP to build up high level expert personnel on a continuing and permanent basis. It was, therefore, decided in 1964 that the COPP should devote greater attention to studies in management and development administration by its own staff to be recruited for the purpose. Consequently, the Management and Development Administration Division was set up in COPP comprising the Management Group and the Development Administration Unit. Recently, the work relating to the development administration has been transferred from the Division to the Bureau of Public Enterprises. Studies in the field of performance budgeting are now being undertaken by the Department of Economic Affairs, Ministry of Finance while the Agriculture Division of the Planning Commission has assumed responsibility for studies relating to area development programmes. The Division in the COPP has since been re-designated as Management and Project Evaluation Division. Besides the Division, there are at present two teams at work in the COPP, namely, Study Team on Metropolitan Transport and the study Team on Tribal Development Programmes.

6. The work of the Division as now constituted includes technique-oriented studies, evolving improved ways of project planning and evaluation and training and orientation of senior management personnel in modern systems, methods and concepts. The main topics under which specific studies are undertaken are :

(1) Study in three industries-steel, fertilizers and iron-ore (export programme);

(2) Information systems (including project information room in the Planning Commission); and

(3) Project evaluation studies.

7. The Programme Evaluation Organization was set up by the Planning Commission with field units in different parts of the country to report on the implementation of the Community Development programme—its current progress, impact of the programmes on the rural economy (e. g. bench-mark surveys) and the efficacy of the extension method. The PEO was also expected to help in the development of evaluation methodology. Since the complete coverage of the country by CD blocks, the scope of PEO was extended to the entire field of rural development. Accordingly, from about 1960, the PEO is largely undertaking problem-oriented studies on the basis of current observations principally in the various aspects of rural development. From 1961 to 1964, the current evaluation of rural works programme had also been taken up and that of high-yielding varieties programme in 1966-67. The Organization has recently taken up advisory and coordination functions in respect of evaluation activities of the State Governments and to provide technical facilities for the training of evaluation personnel on a regular basis in the context of the envisaged expansion in the evaluation set up and the activities in the States following the recommendations of the report of the Working Groups of evaluation in States (1964).

8. The Plan Coordination Section of the Planning Commission, according to present arrangement, is responsible inter alia for periodic reporting of overall progress in the implementation of the Plans.

9. Although the above three units have been engaged in the work of progress-reporting and evaluation and the COPP and PEO have made valuable contributions through their findings in developing planning methodology, it has been felt that a more satisfactory arrangement is required for effective evaluation to ensure better implementation of the plans. Notwithstanding the differences in the approach and emphasis in the COPP and the PEO there has been some overlapping which could only be avoided by bringing all these agencies under a single management. This could be

achieved by having a composite Evaluation Wing as suggested by the ARC's Study Team incorporating therein the COPP, the PEO and the Progress Report Unit of the P. C. Section. The Planning Commission is awaiting the final recommendations of the ARC and will work out a scheme for a full-fledged Evaluation Wing as recommended. In the meanwhile, the approval of the NDC is sought for incorporating the COPP in the proposed new set up and bringing about such changes in its structure and functions as may be required. The revised pattern of the evaluation organization when worked out will be reported to the N. D. C.

ITEM-IV — STATE PLANNING ORGANISATIONS*

The Administrative Reforms Commission have, in their recent interim report on the Machinery for Planning, made the following recommendation in regard to State Planning Boards :

"Planning Boards should be constituted in each State for formulating Plans and for evaluating performance. They should each have five members of whom one may be a partime member. One of the full-time members will be the Chairman of the Board. None of the members should be a Minister. The provisions relating to the composition and the appointment of members of the Planning Commission will apply mutatis mutandis to the State Planning Boards."

The Administrative Reforms Commission observed that while the Planning Commission at the Centre provides the necessary expertise in planning, there was no such body at the State level. The Commission accordingly recommended that planning agencies, to be called State Planning Boards, should, like the Planning Commission, be responsible for formulating Plans and evaluating Plan performance. The composition of the State Planning Boards, the ARC suggested, should be more or less on the pattern of Planning Commission at the Centre.

2. The Study Team of the Administrative Reforms Commission, in its report on the Machinery for Planning submitted to the ARC, while commenting on the relationship between the Planning Commission and the State Governments, observed that the States had not been following appropriate policies in formulating and implementing their Plans. In its opinion, this situation had been helped by the failure of the States to create appropriate planning and technical agencies to help them to formulate their own development plans on a sound techno-economic basis.

3. As long ago as in 1959, the Estimates Committee of Parliament had observed that in a vast country with a variety of natural regions, climatic conditions, social and economic developments, etc., planning could be effective only if it was decentralised. As such the Committee recommended that the desirability of setting up of a body corresponding to the Planning Commission in each State should be examined in consultation with the State Governments.

4. It has been felt increasingly that, in keeping with the important role of State Plans in the National Plan, the need for long-term planning, questions arising from the establishment of democratic institutions at the district and block level and the growing complexity of development problems, planning machinery at the State level should be more adequately equipped and supported. This was stressed in the Report on the Third Five Year Plan. In March, 1962 Deputy Chairman, Planning Commission addressed a letter to State Governments, which suggested that the stage had reached when State Planning Boards, as high level expert advisory bodies, might be in a position to give effective assistance to State Cabinets in the consideration of the broader policies and the more basic problems of implementation. This letter envisaged Planning Boards for assisting in the implementation of current plans as well as in the preparation of future plans. Few State Governments, however, found it possible to go very far along the lines of the proposals of the Planning Commission.

* This was for information.

5. In a note on the ‘Reorientation of development in the States in view of the emergency' submitted to the National Development Council at its meeting held on November 4 and 5, 1962, it was inter alia suggested that this was an opportune time for strengthening the machinery in the States for taking decisions affecting Plans and for ensuring the closest possible integration between the National and State Plans. The proposal did not, however, meet with encouraging response.

6. On receipt of the interim report of the Administrative Reforms Commission on the Machinery for Planning, the Prime Minister sought the views of the State Chief Ministers on the various recommendations contained therein. The views expressed by the State Chief Ministers on the particular recommendation relating to the State Planning Boards at the meeting called by the Prime Minister on July 7, 1967 or in written communications sent by them to the Prime Minister were mixed. While some of the State Chief Ministers expressed themselves in favour of the proposal, others did not.

7. The Planning Commission realise that there would have to be considerable flexibility in this matter and in devising appropriate machinery for planning different States would have to take into account their administrative background and institutions and their special needs. The problem, therefore, is not one of evolving a uniform pattern of organisation in different States but of securing arrangements which would be adequate in relation to the tasks to be carried out. The plans of States, which are an integral and vital part of the National Plan, include some of the most important areas of development, specially the rebuilding of the rural economy through agriculture, community development and cooperation, development of irrigation and power, village and small industries, roads and road transport, education, health and other social services. The tasks now envisaged in the States are considerably larger and more difficult than those in the earlier Plans. Planning at the State level now calls for technical and economic study of a high order. The total effort required for implementing the State plan by way of raising resources, training manpower and organising various services is very large. From time to time, the State plan must be viewed as a whole and adapted to changing requirements. It is a feature of the departmental approach to planning that it tends to take the form of individual schemes. While the efficient execution of each individual project or scheme is indeed essential, the greatest gains in development, specially at the regional and local level, are likely to accrue from the cumulative impact of a series of measures taken together. Time has come when the State should have much greater initiative and much greater liberty in drawing up suitable plans of development according to their needs through full exploitation and effective utilisation of their natural, material, human and financial resources. Panchayati Raj institutions at the district, block and village levels need guidance and training in formulating plans determining priorities and finding ways of enlarging the local effort. For these and other reasons, it has become a matter of some urgency for States to strengthen their planning machinery. It is in this context that the proposal for setting up suitable planning organisations or agencies in the States assume importance. These organisations are conceived of essentially as expert advisory bodies whose assistance will be available to the State Cabinet at the level of policy and plan formulation and evaluation. The responsibility for the actual execution of plans would be left to the normal machinery of administration in the States. Since they will not be charged with day to day duties in administration, their reviews of progress, advice to Panchayati Raj institutions and technical and other studies can go a long way in raising the quality of planning in the States. Kerala State has recently announced the setting up of State Planning Board. A copy of its Resolution indicating the composition and functions of the Planning Board is enclosed (Appendix) for information.

The present position is brought to the notice of the National Development Council.

APPENDIX

GOVERNMENT OF KERALA

Abstract

State Planning Board-Constitution of-Orders Issued

PLANNING (D) DEPARTMENT

G.O. (P) No. 44/67/Plg. Dated, Trivandrum, 7-9-67

Resolution

The Government have decided to constitute a State Planning Board with the Chief Minister as Chairman. The Board will consist of:-

(i) Minister for Finance.

(ii) Economic Adviser (to be appointed)

(iii) Three experts (to be appointed)

(iv) Chief Secretary to Government.

(v) Secretary to Government, Planning Department.

(vi) Director, Bureau of Economics & Statistics.

2. The functions of the Board will be the following:-

(i) To undertake continuous appraisal of the progress of the State economy and make proposals for effective utilisation and development of the State's natural, material and human resources;

(ii) To undertake and arrange for continuous study of the special problems of the State;

(iii) To formulate the broad objectives of the development plan and to elaborate the Plan objectives into long term, medium term and short term plans and specific projects and programmes.

(iv) To evaluate projects and programmes and determine intersectoral priorities;

(v) To formulate targets and outlays for different sectors of development together with estimates of resources;

(vi) To assist the State Government and the Departments concerned in planning for integrated development in different regions of the State; and

(vii) To assist and advise Panchayati Raj institutions and Municipal Bodies in the formulation and development of plans and mobilisation of resources at the District and local levels.

3. The Planning Board will have four Divisions organised as follows:

(i)	Economic Division (Economic Adviser)	Long-term strategy of economic growth for State, Perspective Planning, Natural resources, employment and manpower development, economic policy including financial resources, prices and income policy.
(ii)	Agriculture Division (Member, Agriculture) (Full time)	Agricultural production including allied fields of activity like Animal Husbandry, fisheries, Forest resources, Cooperation, marketing, rural electrification, irrigation and land reforms.
(iii)	Industry & Infrastructure Division (Member, Industry) (Full-time)	Large, medium and small industries, power, mineral development, export and import trade, State Trade and commerce and Transport and Communications.
(iv)	Education & Social Services Division (Member, Social Services) (Part-time)	Education, Health and Social Welfare.

4. In the place of the present State Planning Advisory Board there will be a State Planning Advisory Council including all the major sectional interests such as representatives of workers and peasants' organisations, Chambers of Commerce and employers associations, members of Legislature, and experts and specialists in different fields. The Council will advise Government generally on all matters relating to Plan and development activities.

(By Order of the Governor)
V. Ramachandran
Secretary to Government

ITEM-V — PRINCIPLES GOVERNING THE ALLOCATION OF CENTRAL ASSISTANCE TO STATES*

The transfer of resources to the States for economic and social development is made under Article 282 of the Constitution by the Ministry of Finance on the recommendations of the Planning Commission. The procedure adopted in determining the quantum of assistance to individual States and the principles that have since evolved have been discussed below.

2. The States' First Five Year Plan included projects/programmes which were in progress before the commencement of planned economic development. A broad view was taken about the development efforts that were envisaged in the different States and after assessing the resources to be raised by individual States, the quantum of Central assistance was fixed for each State for the entire Plan period. For the Second Plan, the Planning Commission submitted a paper to the National Development Council for determination of outlays which inter alia contained the following observations relating to the Plan-outlays of the States and the Central assistance therefor:

"In considering the magnitude of the plan of a State for the period 1956-61, the Planning Commission has taken into account a number of factors. No single criterion or set of formulae if applied by itself in a uniform manner to all States is found to be adequate or tenable. The principal considerations are :

(i) Population;

(ii) Commitments carried over from the First Plan to the Second Plan with reference to irrigation and power projects as well as other heads of development;

(iii) The extent of development during the First Five Year Plan and the general level of development expected to be reached at the end of the First Plan;

(iv) The revenue position of the State as represented both by its total revenue and by the extent to which it is able to finance its Second Plan on the revenue account; and

(v) The programme of irrigation and power projects for the Second Plan, especially in the light of the examination and recommendations of the Technical Committee for Irrigation and Power."

The Plan outlays as well as the quantum of Central assistance was arrived at after examination of the proposals against the background of the overall magnitude for different sectors which had been worked out in the Planning Commission. During the Second Plan, the quantum of Central assistance was not predetermined. This continued to change from year to year in the light of financial position of States and the Centre and the requirements of projects taken up in both the States' as well as the Central sector.

3. Another paper had been placed before the National Development Council in 1960 indicating the considerations governing the State outlays for the Third Plan. The outlays as also the quantum

* This was for information.

of assistance for the Plan as a whole, were determined after discussion with the States. Adjustments were, however, made each year within the overall ceiling in the light of examination of the resources position every year. The National Development Council, it may be mentioned, did not specifically consider the principles for Allocation of Central assistance to States either in the Second or the Third Five Year Plans. The main emphasis had been on the principles which should govern the determination of the States' Plan outlays. Outlays determined according to the principles indicated in para 2 above, together with the resources estimated after full discussion with the State representatives, generally formed the basis of allocation of Central assistance.

4. During discussions on the Preliminary Memoranda on the States' Five Year Plans in June/ July 1965, some State Chief Ministers suggested that a set of principles should be evolved for allocation of Central assistance to States for the Fourth Five Year Plan. Accordingly, views of the States were invited on the subject and the suggestion that distribution of the Central assistance should be governed by some objective principles, was placed before the National Development Council. The members of the Council, however, expressed divergent views as to the precise principles that should be followed. The Chief Ministers favoured the kind of criteria which particularly favoured their own States. Some suggested population as the basis while others urged that higher density of population called for higher level of development expenditure to provide larger employment; some referred to sparseness of population as requiring larger expenditure on communication and development of natural resources; many Chief Ministers referred to backwardness of the region as a principle without indicating how this concept could be quantified. There was a general feeling that States like Assam, Jammu & Kashmir and Nagaland would, in any way, have to receive special treatment. Some Chief Ministers asked that large Irrigation and Power projects should be taken into the Central sector and that they should be relieved of the responsibility of financing them. This question had been earlier gone into by a Committee of the N. D. C. who advised against the Centre taking such responsibility especially as the benefits of these investments would be local and largely confined to particular States. As no agreed conclusions were reached at the N.D.C. meeting, the Council asked the Planning Commission to deal with the matter in the light of the discussions.

5. The Planning Commission thereafter carefully considered the question in regard to the distribution of the total amount envisaged for Central assistance to the States for the Fourth Five Year Plan and in the light of the views expressed in the N. D. C. evolved the following guidelines :-

(i) Every State should receive first a quantum of 70% of the total amount to be distributed in proportion to its population.

(ii) The balance should again be distributed but after taking into account (i) the special needs of Jammu & Kashmir, Assam and Nagaland to enable them to have a modest and reasonable Plan, and (ii) the special needs of some States which are required to contribute large amounts of expenditure on continuing schemes of irrigation and power of national importance, and (iii) the need for accelerated development of certain backward regions like hill areas, etc.

After making tentative allocations of the Central assistance on the above principles, the allocations of the entire amount were finally determined after detailed discussions with the Chief Minister of each State. The overall Plan outlay for each State was thus finalised taking into account its own resources position, the Third Plan outlays and the necessity to provide adequately for programmes of national importance, e.g., agricultural production, continuing irrigation and power schemes, rural electrification, the need for accelerating development of certain specially backward regions like hill areas, etc. It will thus be seen that the scope for exercising a subjective judgment was reduced to the minimum. Even in respect of the small amount where the Commission used its judgment, much of the greater part was determined by considerations mentioned above, which were important determinants, but which were not capable of being statistically quantified.

6. It may be mentioned here that the allocations of Central assistance for the Fourth Five Year Plan as a whole indicated above, could not be treated as firm figures because the amount of Central assistance envisaged was itself tentative. The principles underlying these allocations are, however, treated as a guide for the determination of the quantum of assistance to be given to each State from year to year, subject to variations caused by special circumstances requiring accelerated/ special assistance to the States which would eventually be adjusted in the overall assistance that a State may be entitled during the period of the five years.

SUMMARY RECORD

Welcoming the members of the newly reconstituted National Development Council, the **Prime Minister** stated that the deliberations of the Council at this critical juncture were of very great significance. She urged that a solution of our basic problems should be sought through planned effort, relying more and more on our own resources of men and material to forge and sustain a satisfactory pace of progress. The Prime Minister stated that on matters of vital importance we should not allow ourselves to be influenced by sectional interests. Such surrender would merely result in delaying the achievement of our goal of self-reliance.

2. The Prime Minister said that after two years of catastrophic mishaps, mainly due to severe drought and external aggression, the country was in a more favourable position with regard to agricultural production. Prosperity in the rural areas would make an impact on the rest of the economy. On the basis of the potential already created in the economy, it should be possible in the next year to achieve a further increase in the national income. The principal task should be to extract the maximum out of the productive capacities which have been developed in agriculture and in industry. Suitable measures would have to be taken to increase the rate of capital formation, progressively supported by a larger proportion of domestic savings, as this is basic to the process of dynamic development. The situation at the moment was anomalous. There was at present idle capacity in the capital goods sector and yet the country had to depend largely on imports. This situation had arisen mainly because of the lower rate of capital formation during the last two years. The remedy was to get back to the required rate of capital formation as quickly as possible, so that the gap between the capacities created and the production required was eliminated. There might still be some distortion because of errors of calculation or because of new factors in the situation. However, the significance of these would be relatively small if the basic imbalances were corrected. The need of the moment was detailed analysis, based on precise information leading to remedial steps. This was what the Planning Commission proposed to do. The problem which caused anxiety was how to mobilise financial resources to enable the much fuller use of our capacities. During the next one or two years the real resources required for increased investment, such as steel, cement, machinery of various kinds, were not likely to be short, but some arrangement had to be found to finance the necessary outlays without accentuating inflationary pressures. Ultimately, this must be reflected in higher savings and taxation. The savings of the community which represented the 'effort' put into development were very low. With such poor domestic savings it would be difficult to keep the per capita income from falling below its current level, especially if the population continued to grow at 2.5 per cent even in the future.

3. Referring to the large deficit in our trade balance, the Prime Minister stated that our imports were more than a thousand million dollars in excess of our exports. This gap must be quickly reduced and ultimately eliminated by following a vigorous policy of export promotion and import substitution. As a substantial part of this deficit resulted from imports of foodgrains, fertilisers, oil, metals and machinery, it was necessary to increase domestic production in these fields to meet current requirements as well as the increasing needs of the future. Exports must be promoted in a determined manner and every reasonable support required for this purpose should be provided.

4. Referring to the Annual Plan and the period of the Fourth Five Year Plan, the Prime Minister observed that the process of development was a continuous one. The boundaries between the Plans and the length of the Plan periods were arbitrary. As long as the effort was not weakned and

the absence of a formal plan was not used as an excuse for slackening of effort, any controversy regarding the dates and periods of planning was not very important.

The Prime Minister expressed the hope that the deliberations of the Council would lead to fruitful results and the Council would evolve a path which would take the country forward.

5. **Dr. D. R. Gadgil**, Deputy Chairman, Planning Commission, referring to the issues raised in the agenda papers stated that it was proposed to start work on the preparation of the Fourth Five Year Plan for the period commencing 1st April 1969 immediately after the 1968-69 Annual Plan had been finalised. The intermediate period—1966 to 1969—would be treated as a period of Annual Plan. This had been described in some quarters as a period of plan holiday. The Deputy Chairman pointed out that the description was not correct if it was meant to convey that development outlays were not planned during the period or that activities in relation to planned development had ceased. The state of the economy and the availability of financial resources had kept down the size and restricted the scope of development outlays during this period. There was no reason to believe that even if the Fourth Five Year Plan had been finalised before the end of 1966, the size and composition of Plan outlays would have, in subsequent years, been different from what actually they were. Therefore, the absence of a finalised Fourth Five Year Plan could not be said to have affected the planning effort during the last two years and it has not seriously handicapped the Planning Commission in the preparation of the Annual Plan for 1968-69. This did not mean that the making of Five Year Plans had, in any sense, assumed less urgency or importance. The preparation of Five Year Plans in the light of a longer perspective not only gave a proper orientation to the planning effort but also provided the frame within which priorities could be adjusted and a variety of short-term intermediate and long-term projects and schemes properly coordinated. It was only because the years since 1965 had been years of difficulty in which large forward-looking outlays could not be undertaken or new beginnings made that the absence of a Five Year Plan did not during the period prove a serious handicap. It was because it was expected that the year 1968-69 would continue to be a year of some difficulty that it was not proposed to include it in the new Five Year Plan. It was being treated as essentially a year of transition in which the gains of the current year's good harvest might be consolidated, the economy stabilised and beginnings made for resuming the process of rapid development in the proposed next Five Year Plan period.

6. The Deputy Chairman stated that a Five Year Plan, however carefully it might be prepared and however firmly based, could be affected by unexpected passing events and by fluctuations in the political and economic situation. Therefore, while the Five Year Plan would continue to form the main base on which Annual Plans would be prepared, it would be necessary to operate in detail with an elaborately prepared Annual Plan for each year. While the main purpose of the Annual Plan would be to maintain the development effort during the year along the lines indicated in the Five Year Plan, it would also look to any adjustments in emphasis and relative size of outlays needed in view of the emergent economic situation and would define details of programmes of economic activity having regard to immediate past performances, physical availabilities and financial resources.

7. Commenting on the present situation in the context of the proposals for the Annual Plan for 1968-69, the Deputy Chairman stated that while it was true that the difficult economic situation through which the country had passed during the last three years was to a large extent due to factors beyond our control, such as droughts and wars, the experience had highlighted certain aspects in relation to which action was necessary to ensure continuity in planning effort and stability of plan progress in the future. Two aspects appeared to be specially important. The first was the need for Government to place itself in the position to direct and regulate the economy effectively

and to be able to maintain an element of stability even in the face of adverse circumstances. The other was to raise substantially the level of domestic resource, required to finance investment and reduce the country's dependence on foreign assistance. It had accordingly been decided to make a beginning this year with the building up of a buffer stock of foodgrains. When this effort was continued over the next two or three years, Government should be in a position to meet without great difficulty adverse seasons of ordinary dimensions in the future. Proposals were under consideration for a buffer stock of certain other agricultural commodities. Properly administered, these buffer stocks could affect the operation of the economy in two ways. It would be possible with their help to stabilise prices of individual agricultural commodities and maintain them at some mutually normalised relative level. It would also be possible to reduce some what the effects on the economy of large fluctuations in internal production of agricultural commodities from year to year. The buffer stocks could absorb extra supplies in good years and carry them over to recoup deficiencies in bad ones.

8. Coming to the developments in the field of industrial production and credit, the Deputy Chairman mentioned that legislation to control monopoly and the effects of concentration of economic power was under consideration. The whole approach to industrial licensing was being reconsidered and this was connected in an important way with policies regarding imports and foreign collaboration. The role of the Tariff Commission was being re-examined and also the related questions of export incentives and of making industry more cost conscious and self-reliant. The scope of activities of the State Trading Corporation was being increased. Social control of banking has been promised and efforts were being made to coordinate fully the activities of the Finance Ministry, the Reserve Bank of India and the Planning Commission to formulate unified policy in the fields of investment and credit.

9. Agricultural production was a State subject and so was essentially the distribution of food. The hopes of reaching stable conditions firmly by the middle of 1968 depended to a very large extent on the quality and volume of the effort at procurement of foodgrains made by the States. The Deputy Chairman stated that it was only if this effort was very substantial that it would be possible for the State and Central Governments to keep prices of foodgrains in check during the monsoon months of 1968. It was essential for this purpose that not only should the procurement be substantial but also that each State Government should maintain and be in a position to operate the minimum needed system of fair price shops for distribution of foodgrains to the vulnerable classes in months from March-April to October-November, 1968.

10. Since 1963-64 Government had pinned its hopes on expanding the system of consumer cooperative stores to keep prices of essential consumer goods in check. Special attention had to be paid to the prices of foodgrains, as foodgrains prices usually led in all upward spurts of the cost of living index. However, even when foodgrains prices were kept in check, it would be necessary to watch closely other prices such as of cloth, oil or kerosene to see that they did not rise because of pressure of demand. If inspite of the larger production during the year these prices showed a tendency to rise, State Governments must have with them the supplies and the distribution system needed to keep such trend in check.

11. Referring to the Social Services Sector, the Deputy Chairman stated that this sector tended to suffer most whenever there was any reduction in the Plan allocation. He stressed the importance of having an adequate outlay on Social Services.

12. The rate of domestic savings which was already inadequate had been further reduced during the last two years. It was of the utmost importance that the surpluses from public utilities

and public enterprises should be quickly and substantially stepped up. The Deputy Chairman drew special attention of the National Development Council to the need for stepping up of irrigation and electricity rates to an economic level in accordance with the recommendations of the Nijalingappa Committee and the Venkataraman Committee. He suggested that detailed scrutiny of the administration and operation of each large public enterprise be undertaken to devise a programme by which surpluses accruing to them would begin to rise and that investments in expansion and in initiation of new public enterprises be subjected to fairly rigorous economic tests.

13. In the case of small producers in agriculture and industry the best approach for raising the level of savings appeared to be that of offering them incentives for investment in their own business. The main problem was to identify possibilities of profitable capital investments for bodies of small producers and to induce them through technical assistance and initial loan finance to participate in concrete ventures individually or in groups. Care had to be taken that where clear evidence of economic betterment was established no unnecessary measure of subsidies or grants was incorporated in the schemes and that as the level of economic betterment within a group rose, a larger and larger proportion of initial contribution to capital investment was expected.

14. In the case of large organised industry, the schemes of development rebate and related existing benefits appeared to provide adequate incentives for ploughing back funds. In relation to the bulk of the people who were not producers or self employed, stepping up of the level of savings was a matter of affording appropriate incentives for monetary savings. Taxation was a very important means of affecting the savings level and collecting resources in the hands of Government. It was necessary in this context to see that no existing tax revenues were given up unless better substitutes were first found. The largest group which lay outside the field of direct taxation at present was of the better off agricultural producers. Agricultural income tax was not levied in all States, the manner of the levy was not uniform and the total yield was small. Also, the agricultural and non-agricultural incomes were not added together when they accrued to the same person. On all these accounts it appeared essential to get systems of agricultural income-tax of the individual State integrated with the general income-tax at the Centre and to operate the two together.

15. The Deputy Chairman informed the Council that a Committee appointed at the last meeting of the N. D. C. had examined the list of Centrally sponsored schemes with a view to transferring some to the State sector. There had been a demand also to reduce the rigidity of scheme allocations. The implications of these trends in thought as they affect future developments would need to be examined. In making allocations of Central assistance for 1968-69 the Planning Commission had acted on the basis of the proportionate allocation of Central assistance which had been arrived at last year as a result of discussion with Chief Ministers of States. When the measure of Central assistance to each State was fixed in this manner for a period of years after taking into account all the relevant circumstances, both the scope for effort and the responsibility of Governments of States increased. In the changed circumstances the variations during the Plan period in the size of Annual Plans and in the total performance of a State would depend entirely on vigour and efficiency of the State Government in raising resources and planning for their use.

16. In the same way the trend towards leaving Plan expenditure in subjects within the purview of States largely within the discretion of State Governments should make them take greater active interest in detailed planning. The States would find it necessary to prepare plans not only in such greater detail but with specific reference to their own circumstances and situations. This was a matter to which, perhaps, not sufficient attention had been given in the past. Though national priorities may be uniform, the specific objectives of planning at each level had to be defined specifically. For

example, while a national road plan would be concerned chiefly with construction and maintenance of through routes, important for inter-State traffic and for the country as a whole, a road plan of a State would have to be oriented to such objectives as opening up backward areas, integrating the various regions and making for a dispersal of economic development uniformly over the entire area of the State. A District road plan, on the other hand, may well be directed to creating centres from which socio-economic services were provided for individual villages and to integrating such centres with the area of surrounding villages and with each other. Interpretation of objectives in this manner and the preparation of plans for fulfilling them required much more elaborate collection and analysis of information and more expertise and effort at planning than were available in most States at present. It was obvious at the same time that planning from the bottom or participation of people in plan formulation and implementation would remain empty slogans until such detailed exercises were undertaken. While in the initial stages of planned development, uniform large effort all over the country was alone possible and might prove useful, as development proceeds it becomes more and more necessary to plan in detail and to give attention to local needs and circumstances. In future much greater importance would be required to be attached in planned development to efforts at the State and the District level and to responsibilities both in raising resources and in formulating and implementing plans lying largely with Governments of States.

17. The Deputy Chairman went on to say that planned long-term progress required not only agreement regarding its objectives and direction but also concert in short-term action. The country was on the eve of a possible transition from its present difficulties to distinctly better times. No slackening of effort could be allowed in this period of transition. It would require, in effect, greatly increased effort to carry out the work of stabilisation and of increasing resources needed to resume rapid economic development by the beginning of 1969. Planned, peaceful, rapid economic development imposed heavy responsibilities on members of a federal democracy. The Deputy Chairman expressed the hope that these be shouldered with due deliberation and great courage so that the economy, which could otherwise sink into stagnation, could be lifted to a new path of rapid progress and prosperity.

18. **Shri K. P. Tripathi**, Planning Minister of Assam stated that although there had been a pause in the process of planning, it had not been a halt as there had been Annual Plans. The investment in the Annual Plans had, however, been very inadequate with the result that the total employment potential which was calculated to be created in the course of five years was not likely to be achieved. In the meantime, unemployment was growing and, if the problem of unemployment had to be solved with any degree of success, it would be necessary to find the resources. It was difficult, in Shri Tripathi's view, to locate from the State's sector further resources which could be tapped. He agreed that in the agricultural field, agricultural income tax was one of the items which must now be injected but he was not quite in favour of integrating it with the Central taxation. In Assam, agricultural income tax was already applicable to tea plantations. It was at a higher rate than the ordinary income tax. If the two were merged, then naturally the Central Government would not be able to maintain two different rates of tax, one for Assam and the other for the rest of the country, with the result that the total returns from the agricultural income tax from the tea plantations in Assam would be reduced. While agreeing that agricultural and other incomes should be taken into account in determining the rate of income tax, Shri Tripathi suggested that the agricultural part should be retained with the State Governments and the rest with the Centre. If this was done, the State Governments, which at present heavily depended on the agricultural income tax, would not be put in a difficult position. While launching an agricultural income tax in the rural sector, it would be necessary to stabilise agricultural process. The proposal to build buffer stocks in order to stabilise the market was good, but these stocks should be procured from surplus areas and not from deficit

ones. Shri Tripathi cited the instance of jute in which there was a crash in the market this year. Had the State Trading Corporation entered into the field and purchased the jute stocks, the prices would have been stabilised and the jute magnates would not have exploited the situation.

19. Coming to the question of resources, Shri Tripathi stated that our greatest failure had been in the public sector. If profits were not generated, resources would not be ploughed back. Serious efforts should be made to make the public sector profit and efficiency conscious. He cited the example of Yugoslavia where a unit could only survive if it showed a profit. If it did not show a profit it had to go. The other question was of monopoly and if this was not tackled no real competition could be introduced in the economy. Shri Tripathi expressed himself in favour of the suggestion for withdrawal of subsidies.

20. **Shri Hitendra K. Desai**, Chief Minister of Gujarat stated that he was in full agreement with the proposal that the Fourth Plan should start from April 1, 1969. It might, however, be worthwhile considering whether the Fourth Plan should not be for a period of seven years instead of five years so that the Fifth Plan might commence on its original due date. It would also solve the difficulty with regard to the appointment of a new Finance Commission.

21. In regard to the main suggestions made for mobilisation of larger resources, Shri Desai expressed himself in general agreement. Referring to the suggestion for building up of buffer stocks, he stated that Gujarat being surplus in groundnut production was trying to build buffer stocks of this commodity. It was deficit in foodgrains. For stabilising prices it was important that surplus States should build buffer stocks. He was, however, of the view that the prices could be stabilised if the zonal restrictions were removed. Even if buffer stocks were built up, deficit States should be assured of adequate supplies of foodgrains so that the machinery for distribution through fair price shops could be maintained. The Chief Minister fully agreed that for building a sound economy it was necessary both for the Central Government and the State Governments to make utmost effort to see that adequate resources were made available for the Plan. In the agricultural sector, there was definitely scope for mobilisation of resources. In what manner resources should be mobilised in this sector should, in his view, be left to the States. For instance, some States might like to impose an agricultural income tax and others might like to impose a levy on cash crops. He expressed himself in general agreement with the suggestions for raising water rates and making public sector projects yield adequate returns. He pointed out that the Governments of Gujarat and Assam had been pleading for increase in the rate of royalty on oil which was found in their States and he urged upon the Prime Minister and the Deputy Prime Minister to see that the Government of India agree to this, and thereby help the States in finding more resources. He also asked for the early setting up of a petro-chemical complex in Gujarat.

22. Shri Desai pointed out that States like Gujarat which made good efforts at raising resources suffered in the matter of allocation of Central assistance. He urged that in allocating Central assistance the efforts which a State made in mobilising resources should be taken into account.

23. **Shri B. N. Chakravarty**, Governor of Haryana stated that the main problem in building up buffer stocks for Haryana was the lack of adequate storage capacity and the State did not have funds to build large godowns. The question of putting some sort of a cess and using that fund for storage was being considered by the State Government of Haryana. He suggested that the Planning Commission might consider suitable incentives which might help procurement. For instance, persons producing beyond a certain amount per acre might be given some kind of coupons against which they could get building materials or certain consumer goods which might be in short supply or at a concessional rate.

24. Referring to the question of resources, the Governor stated that Haryana was in an unfortunate position because it came into being after the last Finance Commission had made its recommendations. Since it had formed part of the united Punjab, which was considered one of the richest States, it did not get any share of the grant-in-aid from the Finance Commission. The Haryana region of the united Punjab is more backward than the rest of the State and should have received better treatment in the matter of meeting its development needs. However, just at that time the division took place, with the result that the State of Haryana came into being as a backward State with inadequate funds of its own. In the field of agricultural development, the State had great potentiality but it did not have enough water for irrigation and power for energising tube-wells. The Governor indicated that the State Government was considering some of the measures like raising of water rates and electricity rates for mobilising resources. He thought that introduction of agricultural income tax was a good item but he was not quite sure how it would work if it was amalgamated with the general income tax. He had, however, no objection to the Centre collecting the agricultural income tax for allocation to the States.

25. **Shri G.M. Sadiq**, Chief Minister of Jammu and Kashmir stated that if the economy was to get moving once again it would be desirable to have a general consensus on the measures to be adopted so that a uniform policy by all the States would make the task of individual States easier. As such he appealed to the Members of the National Development Council to come to agreed solutions on the various issues before them.

26. Referring to item I of the agenda, the Chief Minister stated that he agreed with the broad guide lines as laid down for the formulation of the Annual Plan for 1968-69. He said that with a view to ensuring that the gap between the under-developed areas and the more advanced areas did not expand further, it was necessary to keep the problems and difficulties of the backward areas and particularly the border States like Jammu & Kashmir constantly in view. The required infra-structure should be provided so as to make up for the lack of enthusiasm in the private sector for new investment of any sizable proportions in such areas. He was in full agreement with the proposal for a vigorous drive for building up buffer stocks and taking steps to stabilise prices of essential consumer goods. He indicated that the Government of Jammu & Kashmir had already launched a vigorous procurement drive this year and with the stress which it was laying on expansion of high yielding varieties the State Government hoped to make a substantial reduction in the quantity of foodgrains which it was importing from outside the State and to do away with imports altogether within the next three or four years. It was important that prices of consumer goods were prevented from rising any further and for this purpose it was essential to make certain efforts for assuring plentiful production of essential consumer goods. While the production of cereals had been receiving attention, this was not so in respect of other consumer articles, such as textiles, footwear, milk, vegetables, kerosene oil, bicycles, etc. It was necessary that such commodities should be available freely and at reasonable prices so that the shortages may not be felt in the distant future. The Chief Minister suggested that special study groups consisting of representatives of Central and State Governments should be formed to make recommendations for action, considering the problem from the national angle. Suitable machinery would need to be devised for ensuring prompt follow-up.

27. The Chief Minister agreed with the suggestion of the Planning Commission that the Plan outlay for the year 1968-69 should not be lower than the current year's level. In fact, the outlay should be definitely higher, particularly in the more backward regions if the adverse effects of a stagnant economy were not to be accentuated. This would imply efforts at mobilising larger resources. Even more important than raising resources was the need to prevent further inroads in available resources by way of increased salaries and deamess allowances to Government

employees. This could be done only by stabilising prices. Referring to the suggestions for augmenting resources for development and investment, the Chief Minister stated that he agreed that a vigorous drive should be launched for recovering irrigation charges, loans etc. Small savings and Life Insurance schemes should also be intensified in the rural areas. Improvement in agricultural production could best be secured by providing the cultivator with improved seeds, technology and fertilisers. For the first time it appeared that the cultivator had developed the necessary confidence and this confidence ought not to be discouraged by introduction of any new agricultural tax for some years to come.

28. The Chief Minister agreed with the proposal for setting up an Evaluation Wing in the Planning Commission and reorganising the Committee on Plan Projects so as to form part of the Evaluation Wing.

29. On the Question of having State Planning Boards, the Chief Minister stated that it was not always easy to find eminent experts from public life in many fields, particularly in the less advanced States. It was undoubtedly true, he said, that the planning machinery in the States needed to be strengthened. Evaluation of plan performance was also an important factor which required greater attention. In his view, the pattern of State Planning Board set up in Kerala appeared to be more practical, but the working of Kerala Planning Board would need to be watched for some time to see the result.

30. Shri Sadiq regretted that inspite of the experience of three Five Year Plans no scientific and rational approach in the direction of reducing disparities as between different regions had yet been adopted. This needed to be given special attention so that an infrastructure necessary for creating a self-generating economy in all the regions was achieved by the end of the Fifth Five Year Plan period.

31. **Shri E. M. S. Namboodripad**, Chief Minister of Kerala stated that he could not share the optimism expressed by the Prime Minister and the Deputy Chairman in their speeches. The Fourth Five Year Plan could not be finalised because of difficulties with regard to foreign exchange, balance of payments, etc. These difficulties were still there. Experience had shown that the devaluation of the rupee had failed to solve the problem and the recent devaluation of the pound sterling had added to our difficulties. The fact that after three Five Year Plans, the Fourth Five Year Plan should have faced such problems showed that there was something seriously wrong with our planning process and concept of planning. These difficulties could not be ascribed to two years of drought; to the Indo-Pakistan war or the Chinese attack because even before 1962 the Plan was in trouble with regard to inflationary conditions, price increases and foreign exchange. It was true that the Chinese attack, the Indo-Pakistan war and the two years of drought had added to the difficulties. The Chief Minister suggested that the Central Cabinet and the Planning Commission should seriously consider why this had happened and study why the assumptions made at the time of the formulation of the First Five Year Plan and which had been carried forward with modifications at the time of formation of the Second Five Year Plan and the Third Plan had proved wrong. The outlook for the future, based on a good harvest this year, did not seem to him to be realistic. Even if there was another year of bumper crop, which itself was not certain, it would not solve our problems. The whole strategy in the Planning Commission's paper was based on the expectation of a bumper crop, which would help in building up buffer stocks through which the price level could be controlled. The Chief Minister pointed out that while this expectation may or may not come about, the economic difficulty which the country was faced with was not due to the shortage of foodgrains or agricultural products alone. Following in the wake of devaluation of the pound sterling, several other currencies, including the Ceylon rupee, had been devalued and the impact of that on several of the exportable

commodities of India was going to be serious. The foreign exchange difficulties that we have experienced would be accentuated. The situation would not, in the Chief Minister's view, improve unless some basic changes were made in policies regarding international trade, investment, control over credit, nationalisation of banking, etc. He referred in this connection to the assessment made by his party at the time of preparation of the Second Five Year Plan. That assessment showed that, whereas the objectives which had been put forward in the Plan frame were good, the policies which had been laid down to achieve them were wrong; there was an inherent contradiction between the objectives and the policies formulated. The assessment had proved correct. At the request of Prof. V. K. R. V. Rao, Minister of Transport and Shipping, the Chief Minister promised to send a copy of the document containing his party's assessment made at the time of the preparation of the Second Five Year Plan.

32. The Chief Minister also referred to the Memorandum on Centre-State relations which had been prepared by the Kerala Government and which had been circulated to the Members of National Development Council.

33. **Shri Ramakrishna Hegde**, Finance Minister of Mysore referring to the Annual Plan for 1968-69, stated that the provision in successive Annual Plans should not in any case be lower than the previous Annual Plan. On the question of merger of agricultural income tax with general income tax, he stated that agricultural income tax was already in force in Mysore State and was one of the main sources of revenue from the large plantations in that State. He was not sure if by having a centralised system of collection it would be more effective. Moreover, centralised legislation might not suit local requirements. For example, a State Government which enacts a law in regard to agricultural income tax could exempt certain crops where it considers such a step necessary to encourage increased production. During the last 10 to 15 years, there had been an emergence of rural leadership which was very effective in the State legislature and any measures to tax rural income was bound to be resisted. This factor would also have to be taken into account.

34. Shri Hegde pointed out that Mysore had ample electric power which was not being fully utilised and if the State Government had adequate resources it could electrify all the villages and pump-sets within less than three years and also supply electricity to the neighbouring States.

35. In regard to Central assistance, he urged that it should not be less than in the previous year; otherwise the State Government would not be in a position to carry on even the maintenance programmes. He regretted that Mysore had received a very inadequate share of investment in the industrial sector during the four Plan periods. He agreed that time had come when a firm decision should be taken to withdraw subsidy on foodgrains and other agricultural programmes. The grant of subsidy on foodgrains had killed the incentive of the farmer to produce more. Our policy should be producer-oriented and not consumer-oriented. The Minister stated that Mysore was not getting adequate supplies of fertilisers and pressed the State Governments demand for a fertiliser factory in Mysore and also for the development of Mangalore Port. He regretted that partly due to devaluation and partly due to the changing credit policy of the Government of India, the small scale and intermediate industrial sector was being wiped out and big industrialists were acquiring the small and intermediate industries.

36. Referring to the problem of overdrafts into which the State had run, Shri Hegde stated that it was the increase in dearness allowance, which the States were obliged to give consequent on the grant by the Central Government, that had been responsible for the State's overdrafts. He pointed out that during the last 10 years Mysore Government had to spend Rs. 150 crores on the dearness allowance. He requested the Deputy Prime Minister first to tackle the problem of dearness

allowance if the States were to be prevented from running into overdrafts.

37. **Shri C. N. Annadurai**, Chief Minister of Madras stated that while the Deputy Chairman of the Planning Commission had given certain guidelines for the States to raise resources, he had not indicated the guidelines he proposed for the Central Government to conserve and raise its resources and apportion them in an equitable manner commensurate with the needs of the States. Whether it was the Annual Plan or the Five Year Plan, the States depended largely on the resources that the Centre could make available to the States. For maintaining the tempo of development it was necessary that each successive Annual Plan should be larger than the previous year's Plan, but it was unfortunate that the Central assistance for the Annual Plan for 1968-69 was going to be proportionately less than that for the current year. The Chief Minister stated that a number of important projects which were proposed to be started were being postponed on the plea that these would be taken up in the Fourth Five Year Plan but the postponement of the Fourth Five Year Plan should not, he pleaded, postpone the Tuticorin Project.

38. Referring to the Planning Commission's proposal for merger of agricultural income tax with the general income tax, the Chief Minister stated that agricultural income tax was already in force in certain States including Madras. Even with merger this would not give to the Centre more than Rs. 25-30 crores and as such it would not increase to any significant extent the total resources of the country. He was doubtful whether the collection of this tax by the Central Government would serve a useful purpose. He also expressed doubt on whether it would be prudent economically and politically to raise water rates at a time when there was a demand for abolition of even land revenue. Similarly any increase in electricity rates would act as a disincentive to higher agricultural production. In any case, any suggestions for increase in the electricity rates should be considered on a regional basis and not on an individual State basis. In regard to the proposal for building up buffer stocks of foodgrains this year, the Chief Minister was of the view that unless there were bumper crops for three consecutive years, buffer stocks could not be built. Even this year, October rains had failed in large parts of the South and as such the agricultural prospects were not as bright as they were in September last.

39. The Chief Minister stated that instead of only asking the States to raise larger resources, the Central Government should also be advised by the Planning Commission to mobilise larger resources by cutting down Defence expenditure, improving the working of public sector undertakings and collecting large arears of income tax. Thus by becoming financially strong the Centre could allocate larger resources to the States to enable the latter to carry out their Annual Plans and build up a strong agricultural front which could give sizable income from the agricultural income tax.

40. **Shri V. P. Naik**, Chief Minister of Maharashtra stated that, due to the failure of October rains, production of foodgrains and cotton had been considerably affected in Maharashtra but, even then, the State Government was trying its best to procure as much foodgrains as possible and hoped to exceed the targets laid down for the State by 5 to 10 per cent. As regards irrigation rates, the rates in Maharashtra were the highest in the country. At present these rates were different for three different areas of Maharashtra. The State Government had decided to have a uniform rate and, in the course of three or four years, the State would have a uniform rate; but there was no possibility of increasing the rate. With regard to recovery of arrears of taxes and dues, the Chief Minister said that the State Government attached very great importance to this and would do its best. The Maharashtra Government had made considerable efforts to mobilise larger resources through taxation and this factor should be taken into consideration while considering proposals for the new Fourth Five Year Plan.

41. Commenting on the Planning Commission's suggestion for merger of agricultural income tax with the general income tax, the Chief Minister stated that in view of the ceiling on land holdings in Maharashtra and the fact that the State was already getting about Rs. 5.75 crores of additional revenue from the Agriculture sector in the form of income tax, education cess on cash crops, additional water rate, Zila Parishad levy etc. he was opposed to the proposal. Hardly 10 to 12% of the people in the rural areas were literate and it would be difficult for the rural people to maintain proper accounts. As such the introduction of agricultural income tax would result in harassment to farmers. Agricultural income tax would also act as a disincentive to more agricultural production. Moreover, the administrative expenditure involved in tax collection would be quite heavy. As such, Government should not, in his opinion, think of agricultural income tax for atleast another 10 years.

42. **Shri Govind Narain Singh**, Chief Minister of Madhya Pradesh referred to the special problems of Madhya Pradesh such as scheduled castes and scheduled tribes, general backwardness of the State, dacoity problem, lack of communications etc. and requested that special weightage should be given to the State in the matter of allocation of Central assistance. As regards buffer stocks, the Chief Minister stated that Madhya Pradesh was not in a position to create a buffer stock but it would try to procure the food grains which it had promised. In view of the failure of October rains the prospects of good crops had receded. He indicated that the Madhya Pradesh Government was going to rationalise its irrigation rates. The State had a good potential of hydel power but at present it generated mostly thermal power. The electricity rates in Madhya Pradesh were higher than those in the adjoining States and this acted as a deterrent to industrialists coming to Madhya Pradesh. As such, it was net possible for the State Government to enhance its electricity rates.

43. The Chief Minister stated that in view of the ceiling on land holdings and the fact that irrigation was almost negligible in Madhya Pradesh there was not much scope for agricultural income tax. The State Government had already decided to increase the tax on commercial crops. Still, whatever resources were raised were being consumed by the grant of dearness allowance. He suggested that instead of taking up schemes in the States in an haphazard manner the Planning Commission should look to the potentiality of different States and the cheapest schemes that were available, whether they were of irrigation or of hydel power or of industrialisation and these should be taken up first.

44. On the question of allocation of Central assistance to States, the Chief Minister was of the view that it should not be based on population alone but other factors like the nature of population, the size of the State and the extent to which the communication system and other social services were so far available should be taken into consideration.

45. **Shri R. N. Singh Deo**, Chief Minister of Orissa stated that Orissa had been unfortunate in having three years of natural calamity which had eroded its resources. Owing to failure of October-rains, drought conditions were developing in most parts of the State and the agricultural production was likely to go down. Orissa Government was now trying to raise as much resources as possible by collection of arrears. An amount of Rs. 3 crores was due from the Hindustan Steel Limited on account of electricity rates and interest and it would help the resources position of the State if this was paid. Because of the previous year's drought, Hirakud Reservoir had gone down and electricity had to be cut down. This had affected industry, electricity duties and sales tax revenues and had caused erosion of resources. The State Government was trying to raise as much resources as possible by realisation of arrears of land revenue from irrigation rates and dues etc. but still the gap which was earlier estimated at about Rs. 8 crores was now Rs. 13 crores, due partly to the

increase in dearness allowance. The Chief Minister mentioned that the outlays proposed in the State's Annual Plan were mostly on account of continuing projects and schemes which, when completed, would yield revenues and add to the States resources. These were mostly irrigation, power and industrial projects and the delay in their completion would not only inflate the interest charges but also deprive the State of additional resources. He agreed that there was need for increased allocation for the social services sector which had been badly neglected in the past few years. He suggested that economy should be affected in the Central Ministries and the savings which would thus become available should be diverted to the States Plan.

46. The Chief Minister said that in principle, he was in favour of the proposal for the merger of agricultural income tax with the general income tax. As regards irrigation rates, since the present need was to encourage production of food crops any increase in the irrigation rates might act as a disincentive but in regard to cash crops there was a case for some enhancement. The Chief Minister pleaded for early completion of the rail link from Cuttack to Paradeep and for the development of Paradeep Port, which would generate resources for the State of Orissa and which would also encourage larger export of iron ore. This would not only help the State by way of more mining royalty but also yield larger revenues by way of export charges and import duties. The Chief Minister asked for accelerated assistance for the Express-way project to link up mining areas with Pradeep Port. He also asked for enhancement in the rates of royalty on minerals. As a result of devaluation the price of iron ore and other minerals had risen. To mop up this rise in price the Central Government came in with an export duty as a temporary measure. The Centre should either allocate a part of its revenue on account of export duty to the exporting States, which were producers of minerals, or reduce the rate of export duty and allow the States an increase in the rate of royalty. This would help States like Orissa to raise additional resources to meet their Plan requirements.

47. Coming to the question of electricity rates, the Chief Minister stated that in Orissa most of industries were either electro-chemical or electro-metallurgical industries for which low rates had to be given since they were power intensive. It was difficult to raise the rates of electricity as that would retard the industrialisation of the State. For historical, geographical and political reasons Orissa had remained undeveloped for long. The Chief Minister urged the National Development Council to consider how the allocation of resources between the Centre and the States should be made more equitable so that regional imbalances could be removed. He suggested the setting up of a statutory body like the Finance Commission to go into this question particularly with a view to removal of disparties and imbalances among the different regions.

48. **Shri K. Brahamananda Reddy**, Chief Minister of Andhra Pradesh stated that the financial resources of the Centre and the States should be taken together and so allocated that the development work in the States did not suffer. Whereas the Centre's sources of income were elastic and could be expanded, the States did not have much scope for raising additional resources and, on the other hand, they had to carry the expanding burden of social services sector. Conditions differed from State to State and as such the measure of taxation in different States would also have to be different; it could not be uniform. The Chief Minister stated that in a federal country like ours there was need for setting up a permanent Finance Commission. A proposal for agricultural income tax could be considered for States which had large plantations but not for States like Andhra Pradesh where farmers had small holdings and rainfall was uncertain and not uniform. The problem had to be looked at both from the political as well as from the economic angle. The Chief Minister expressed the feeling that the Centre's responsibility, especially in the sharing of taxes, had not been discharged to the satisfaction of the States. The States had agreed to surrender their right to levy excise duty on sugar, tobacco, cloth etc. The Chief Minister asked for the return of that right as the share which

the States were getting in lieu of the levy was small compared to what the States would have otherwise been able to raise themselves.

49. Referring to the dearness allowance, Shri Reddy stated that this was eating into the resources of the States. The situation at present was such that the States found it difficult to pay even 50 per cent of what the Central Government was giving. This problem needed to be given very serious consideration. The additional resources which the States were able to raise with great difficulty by taxation measures or otherwise were wiped off by the grant of dearness allowance and were not available for the Plan. The Chief Minister pointed out that Andhra Pradesh had been able to step up its financial resources from electricity considerably by increasing its power rates. The land tax and water rates had also been increased but any step to tax agriculturists further must be taken with caution lest it act as a disincentive to higher agricultural production.

50. **Shri Karpoori Thakur**, Deputy Chief Minister of Bihar stated that on account of failure of October rains in Bihar and other parts of the country the earlier expectations of a larger bumper crop had receded, though, compared to the previous two years, the crop this year was going to be much better.

51. The Deputy Chief Minister stated that it was unfortunate that the original schedule of the Fourth Plan could not be maintained and the Plan had to be postponed. Planning was a continuous process and he hoped that such postponement of the Plan would not take place in future. He regretted that Bihar's Annual Plan had been brought down from about Rs. 83 crores in 1965-66 to Rs. 66 crores in 1967-68. This was not even a 'Maintenance Plan' much less a 'Development Plan'. The funds allocated by the Centre as assistance had to be utilised in the Bihar famine with the result that this assistance could not become available for the Plan and, at the same time, the State Government could not mobilise sufficient resources of its own for the Plan. In the absence of additional Central resources being made available, Bihar's Plan had received a set-back which would have serious economic, social and political consequences. Though the State Government was now trying its best to raise its resources by intensifying the small savings scheme, collection of arrears of taxes and loans, increasing commercial tax, etc., it would still, despite all best efforts, not be possible to raise enough resources for an adequate Plan. Shri Thakur pointed out that the Bihar Government had raised its irrigation rates two years ago by 50 per cent and though efforts would be made to realise the unrecovered amount it was not possible to raise the irrigation rates any further. A scheme of compulsory irrigation levy wherever irrigation facilities were available had been enforced. This would not only encourage farmers to utilise these facilities and thereby increase agricultural production but also augment State resources. Agricultural income tax was already in force in Bihar but did not bring in much income to the State. He urged the Central Government to raise the rate of royalty on minerals. This would help increase the income of the State Government. Referring to the Gandak Scheme, the Deputy Chief Minister stated that the Scheme, after completion, would bring 28 lakh acres of land in Bihar under irrigation. This was a very important scheme but the State did not have resources to complete it. The Centre should allocate resources to facilitate its early completion so that benefits may accrue which would make the State self-sufficient in food-grains.

52. **Shri Lachhman Singh Gill**, Chief Minister of Punjab stated that at this juncture when the cultivator was trying to increase agricultural production the proposal to impose agricultural income tax would act as a disincentive and as such he was opposed to any such step. On the other hand, the farmer should be given further encouragement by helping him with improved seeds, implements and fertilisers. In the Punjab, cultivators had usually small holdings ranging between 5

and 15 acres and there was not much scope for getting any large additional resources through an agricultural income tax. Once such a tax was levied, the income tax authorities would make collections in the following year without taking into consideration whether during that year there had been adequate rains or adequate water had been made available or not and the condition of the standing crop. Under the Indo-Pakistan treaty, Punjab had agreed to supply water to Pakistan till 1972 and as such enough water might not be available for its own villages. The Chief Minister was, therefore, not in favour of increasing the water rates.

53. The Chief Minister stated that there was hardly any public sector industry in the Punjab. In view of the fact that the Punjab was a border State and had to shoulder to a large extent the responsibility of the security of the country, it deserved special weightage and assistance from the Centre in setting up public sector industries. A large number of people from the Punjab had settled abroad and they were willing to supply to their relatives industrial machinery and equipment as gifts for setting up industries in the Punjab. The Chief Minister stated that no foreign exchange was involved and this should be permitted as it would help to set up industries in the private sector and thereby help the industrialisation of the State. The Union Finance Minister intervening stated that there would be no difficulty provided the custom duty was paid.

54. The Chief Minister regretted that the Punjab's share of Central assistance was very inadequate compared to that given to other States. Given adequate resources, Punjab, with its hard working and industry minded people, could industrialise the State. He also referred to the problem of water logging in the Punjab and stated that 28 lakh acres of land in the State was water-logged. About Rs. 28 crores had already been spent on drainage and another Rs. 18-19 crores were required to complete the work. This was an important scheme and in order that it may be completed as quickly as possible it should be given special assistance.

55. **Shri Mohan Lal Sukhadia**, Chief Minister of Rajasthan stated that before the Fourth Plan comes into operation it would be advisable to set up a Finance Commission to go into the financial conditions of each State, its capacity to raise resources and its geographical conditions and the recommendations of the Commission should be taken into account while drawing up the Fourth Plan.

56. While generally agreeing that the electricity and irrigation projects should give adequate returns, the Chief Minister stated that all the projects could not give a uniform rate of return. This would depend on the circumstances, location, density of population and several other factors. He pointed out that Rajasthan had the highest rate for electricity in the whole country, but even then the return from the electricity projects was less because of the higher cost on transmission lines.

57. The Chief Minister stated that in drawing up the Fourth Plan attention should be given to regional development so that the backward States and regions receive a larger share of investment, as otherwise the gap between the developed and the underdeveloped States and regions would increase. From that point of view he suggested that the Licensing Committee should see that licences were given to new industries in those States which were backward in the industrial sector. Similarly, the financial institutions should be directed to give preference to persons setting up industries in underdeveloped States. Industrialists would naturally like to go to those States where there were coal deposits or hydel power generation and therefore lower power rates. Therefore, in the matter of industrial development the policy should be such as would ensure uniform development of the country. The Chief Minister agreed that there was a case for increase in the rates of irrigation but unless there was a general agreement on a regional basis it would be difficult for individual States like Rajasthan to increase their water rates.

58. The Chief Minister suggested that the National Development Council should set up a Committee which might review the performance of public sector undertakings and suggest how they could be improved. Any move to tax agriculturists further would, he thought, result in fragmentation of holdings as the land owners would try to sub-divide their holdings so as to come within the exemption limit below a certain acreage. The Chief Minister cautioned that large scale harassment to cultivators would have its repercussions. He stressed the need for taking suitable measures to ensure price stabilisation as otherwise the Fourth Plan would run into difficulty. This might call for some drastic decisions and political considerations should not be allowed to come in.

59. **Shri Charan Singh**, Chief Minister of Uttar Pradesh stated that economic development policy in India was weak in comparison with the policies of other countries. The priority given to agriculture had not been and was still not adequate. For example, the price of fertiliser was higher than that in other countries. Cooperative farming, which was expected to increase agricultural production and on which a considerable amount of money had been spent, had not succeeded in India. The Crop Insurance Scheme was also not likely to be successful. Agriculture in this country could, in the Chief Minister's view, be developed with small holdings. In the field of industry also, stress had been laid in the past on large industries, and small industries had been ignored with the result that the national income did not rise and unemployment went on increasing with the completion of each Plan. In his view high priority should be given to small industries. He pointed out that considering our per capita income, labour in India was costlier than in other countries. Labour was being exploited by political parties to serve their own interest with the result that it was disinclined to work adequately. Labour problems appeared to be chronic in spite of the fact that most of the large industries were in the public sector. Considering how labour worked in other progressive countries, the Chief Minister was of the view that our labour policy needed to be revised. In order to secure votes and earn cheap popularity, the political parties had given assurances for the abolition of various taxes and for the provision of various amenities without giving thought to problems of implementation and financial stability. It was necessary for the leaders of all political parties of the country to come together and decide the direction in which the nation should be led. The leadership in the country should try to bring about a psychological transformation of the country so that the people should develop a mental attitude and spirit for undertaking hard work. He suggested that there should be some programme in this direction in the Fourth Five Year Plan and this should be stressed through our educational text books.

60. Referring to the resources position, the Chief Minister observed that the Centre could under the powers, which it exercises under Article 269(1) of the Constitution, levy certain taxes and raise additional resources. He suggested that this should be examined and the additional resources thus raised should be suitably apportioned among the States. He also referred to the excessive staff in the Central Government and in the Indian Missions abroad and stated that considerable economy could be effected here. The deamess allowance, which the States had perforce to give to its employees consequent on increasing grants made by the Centre was eating into the finances of the States. He stressed the need for making a vigorous effort for collection of tax arrears and for checking tax evasion and avoidance. This required improvement in the working system of the Income Tax Department. The Chief Minister expressed the view that expenditure on social services and on technical education could be cut down. He also advised against resort to deficit financing. The Chief Minister was of the view that the zonal system of foodgrains should be abolished as it had led to corruption. A system of levy should take its place. The imposition of agricultural income tax would, he thought, lead to the adoption of dishonest means by the land holders and fragmentation of holdings would follow. It would also cause harassment to farmers who, being mostly illiterate,

would not be able to maintain proper accounts. This would act as a disincentive to larger agricultural production.

61. **Shri Y. S. Parmar**, Chief Minister of Himachal Pradesh stated that the Planning Commission seemed to be of the view that the high prices were due to rise in agricultural prices or the prices of foodgrains. In his view, the main cause of the price rise was shortage of various consumer goods. Every time an increase in dearness allowance was announced, prices would go up. Prices could be controlled if the essential consumer goods were made available in sufficient quantities, and in implementing the Industrial Licensing Policy this should be kept in view.

62. The Chief Minister felt that the agricultural income tax would discourage agricultural production. Similarly any increase in electricity rates would cause serious difficulty. In areas where forests and forest industries could be improved it was necessary to provide cheap electricity in order to conserve fuel wood. As regards subsidies, the Chief Minister agreed that it was time that most of the subsidies were stopped. In Himachal Pradesh, action had already been taken to see that higher income group farmers did not get subsidy; only small farmers were getting it.

63. Referring to the suggestion for setting up of State Planning Boards, Shri Parmar stated that Himachal Pradesh could not afford to have an elaborate organisation. It was, of course, possible to have a Planning Committee consisting of officials and non-officials and to strengthen somewhat the Planning Department. He also referred to the serious impact that the increases in dearness allowance had on the administration. It appeared that with the setting up of every Commission the dearness allowance went on increasing. This required serious consideration.

64. **Shri V. K. Malhotra**, Chief Executive Councillor, Delhi stated that Ministers and the political leaders had given many high-sounding assurances, like raising the salaries of teachers, providing every farmer with a tubewell, a tractor and other implements, but when these assurances were not fulfilled for want of resources, people in whose minds high hopes had been raised felt dissatisfied and started agitating. This practice of making impracticable assurances should be stopped. A clear picture of resources should be placed before the country and the representatives of all political parties should get together and decide on ways and means of improving the resources position. Shri Malhotra urged that those States/Union Territories which did not get their due share of the Central assistance in the last two years should be given the balance during 1968-69. The criteria for allocation of Central assistance during the Fourth Five year Plan should be carefully decided. He stated that in view of the growing demand for consumer goods in the rural sector, a suitable pattern for the distribution of essential consumer goods at controlled prices would need to be worked out as otherwise prices would go up further and the problem would become still more difficult. Shri Malhotra agreed with the suggestion of the Chief Minister of U. P. that the food zones should be abolished and suggested that a national food policy should be framed.

65. **Shri Farooq Maricar**, Chief Minister of Pondicherry expressed the view that agriculture should not be taxed further for at least another four or five years and additional resources required for the Plan should be raised from other sources. The Government of Pondicherry was proposing to raise additional resources from entertainment tax, tax on passenger goods, stamp duties, registration fee etc. Any increase in irrigation and electricity rates should, the Chief Minister suggested, be on a regional basis and not on individual State basis. He urged the Planning Commission to keep the claims of smaller States and Union Territories in view in the matter of setting up of new industries.

66. **Dr. D. R. Gadgil**, Deputy Chairman, Planning Commission informed the Council that

Secretary, Planning Commission would hold a meeting of State Planning Secretaries on December 2, 1967 at 10.00 a.m. to do some preliminary thinking on the preparation of the Fourth Five Year Plan, which it had been agreed should commence from 1st April, 1969. He thanked the Chief Ministers for generally accepting the approach that the States should do their best to raise their resources and that subsidies should, as far as possible, be curtailed or eliminated. Clarifying some misunderstanding regarding the proposal about the buffer stocks of foodgrains, he stated that buffer stocks would be built up on a Central level from areas where there were surpluses of the particular commodity and would be used on a national level to bridge any gaps. Only after such a buffer stock was created, would it be possible to consider the abolition of the food zones.

The meeting adjourned till 3.00 p.m. on December 2, 1967.

December 2, 1967

67. **Shri Morarji Desai**, Deputy Prime Minister stated that problems of finance for the Centre and the States should not be considered to be in conflict with each other or that the interest of the States and the Centre were contradictory. India had a federal system of government in which the Centre had larger responsibilities. The finances, as allocated by the Constitution, had been shared after a consideration of the responsibilities laid on both the States and the Centre. It had further been provided in the Constitution that a Finance Commission would meet every five years, consider the financial conditions of the States and the Centre and allocate certain revenues to the States from Central revenues and thus make necessary adjustments from time to time. This was how the Finance Commissions had been working, but the previous Finance Commission had considered the non-Plan expenditure and not the Plan expenditure. The Plan expenditure was considered by the Planning Commission which allocated to the States grants and loans after taking into consideration the conditions of all the States. The Planning Commission had tried to carry out this task in the best possible manner during all these years. Giving the figures, the Deputy Prime Minister pointed out that the revenues of all the States were about Rs. 1400 crores and the revenues of the Centre were Rs. 3100 crores. Out of Rs. 3100 crores, Rs. 400 crores was the share of the States. Rs. 450 crores was again transferred as grants to the States, and ultimately it became equal on both sides i.e. Rs. 2250 crores for the States and Rs. 2250 crores for the Centre. Out of this again a net loan of Rs. 400 crores was made to the States. To the extent any larger allocations were made from the Central revenues to the states, the Centre’s resources would become less to that extent and as such less would be available for the Plan allocation to the States.

68. Under the Constitution certain obligations were on the Centre for looking after defence and communications and for the development of industries and all these essential purposes required large finances. The economic development of the country in a coordinated manner was made the responsibility of the Centre. This was to be expected or otherwise the States would be in conflict with each other or there might be duplication resulting in confusion. The money which the Central Government spent on industrial development was spent in the States. More money had been invested in three or four States due to the high cost of steel plants, Madras had more because the Neyveli Plant, which started with a few crores, had gone up to Rs. 120 crores. Other-wise, on the whole, the Government of India had been careful enough to see that the money allocated by the Centre was evenly spread.

69. During the current year the total Annual Plan was of Rs. 2240 crores out of which the Central Plan was about Rs. 1236 crores and the Plan for the States was Rs. 957 crores, which

was to be made up of Rs. 367 crores of States resources and Rs. 590 crores of Central assistance. Thus the Centre's liability for the Plan became Rs. 1826 crores and the States liability was Rs. 367 crores. There was a gap left of Rs. 54 crores which was to be made up by the States. The States actual resources for the Plan came down to Rs. 237 crores. This had created the gap in the Plan. In the Central revenues also there was a gap on account of less receipts in income tax, in excise and customs and lower foreign assistance. The total resources were, therefore, hardly Rs. 1800 crores in all and there was a gap of Rs. 350 crores or more. How to make up this gap was a problem which had to be given serious consideration. The Deputy Prime Minister stated that he fully appreciated the needs and requirements of the States but these requirements could not be fulfilled by any steps which would not result in mobilising resources. He urged the Chief Ministers to consider these problems as a whole and not in separate compartments as problems of the Centre or of the States. The Deputy Prime Minister stated that he had made it clear while presenting the Budget that there would be no deficit financing this year. In view of that assurance he now found himself in a very difficult position. The resources picture for the next year appeared even more difficult as the total resources would be less than this year by about Rs. 200 crores. While he would welcome a bigger Plan but there must be some way of finding larger resources to match it as otherwise he would be faced with a large deficit. Deficit financing could be useful under certain circumstances but not under the circumstances obtaining today. If prices were steady or were going down, then deficit financing would not be harmful. It could not be deemed that the two major aggressions that took place against this country in 1962 and 1965 and the two years of drought had been largely responsible for the present economic conditions.

70. Referring to the observation made by some Chief Ministers that due to the failure of October rains in certain parts of South India, the crop prospects were not going to be as bright as were earlier expected, the Deputy Prime Minister stated that there were always some areas where the rainfall was inadequate. It was the average production in the country as a whole which had to be taken into account and from that point of view, the crop was going to be fairly good this year and foodgrains production was expected to be of the order of 92 to 95 million tonnes. In view of the improvement in the agricultural situation, it had been suggested that the agricultural sector should also be tapped for mobilising some additional resources. This suggestion needed careful consideration by the States. The interest of the Centre was bound with the interest of the States. The prosperity of the Centre depended on the prosperity of the States. The Deputy Prime Minister assured the State Chief Ministers that the Centre was not trying to be in any way inconsiderate to the State requirements or their conditions and difficulties. The States should also appreciate the Centre's position and difficulties and see that the Centre's resources were adequate as otherwise, in the ultimate analysis, it was the States which would suffer. The allocation of Central assistance to States was made on the basis that all the States had backward areas which required attention. Giving the figures of taxation for different States as a percentage of per capita income, Deputy Prime Minister pointed out that those States which had a larger percentage of taxation were the States which were generally doing well. Referring to a suggestion made by some Chief Ministers for the setting up of a Finance Commission, he stated that the Administrative Reforms Commission had set up Study Teams on Centre-State relations and on financial aspects. The reports of these Study Teams and the recommendations of the Administrative Reforms Commission would be available shortly. He suggested that a decision on whether a Finance Commission should be set up at this stage should await the ARC's report.

71. **Dr. M. S. Randhawa**, Chief Commissioner of Chandigarh stated that it was the failure to reach targets of fertiliser production and to have enough tractors that was responsible for the

present state of the country's economy. He suggested that a high powered committee should keep these targets constantly under review.

72. **Shri L. K. Jha**, Governor, Reserve Bank referred to the problem of States overdrafts. A number of States had been running into overdrafts for the last three years. After the Centre tried to clear the overdrafts there was again diversion of resources. The second point to which Shri Jha drew attention of the Council was that this year the performance regarding loans subscriptions had not been very encouraging despite the somewhat higher rate of interest offered and in the coming years, because of heavy repayments due both from the Centre and from the States, the expectation of the net contribution of loans was likely to be much lower. While on the one hand there was a general demand that the next year's Plan should not be smaller than the Plan for the current year, on the other hand there was a good deal of hesitation to embark on any measures of resource mobilisation. This hesitation was understandable because the situation was not very bright. The 10 per cent growth in income this year compared with last year's looked rather large but it was only because the last year and the year before were such bad years. Compared to the year 1964-65 the per capita income now was hardly higher. At the same time it had to be recognized that there was much more money in the agricultural sector than there had been in the past and with higher agricultural production and higher prices some additional resource mobilisation in that sector was called for. On the question of agricultural income tax, Shri Jha stated that the sympathy for the poor farmer should not protect the rich industrialist who might be owning farm land from which he might be getting considerable subsidiary income. In order to protect the small farmers, higher income above a certain limit should be made taxable. There was also some advantage, Shri Jha thought, in centralising agricultural income-tax. He pointed out that the Employees' Provident Fund was not now coming in to support Government loans and this was going to create a problem to which the States as well as the Centre should give attention. A special drive for mobilisation of resources from the rural sector appeared necessary. Land Mortgage Banks could sell some debentures in the rural areas. Shri Jha suggested that taccavi loans could be replaced by a good agricultural bank. He pointed out that the implementation of many of the projects for which the loans had been sanctioned had been very slow and therefore benefits did not accrue fast enough. He mentioned in particular the States of Andhra Pradesh, Bihar, Madras, Madhya Pradesh, Maharashtra, Mysore, Orissa, Rajasthan and West Bengal where, because of tardy implementation of projects the loans sanctioned had not been utilised. Underlining the risk of deficit financing, Shri Jha pointed out that in 1964-65, which was a good agricultural year and when there was an increase of 7 per cent in the national income a deficit of Rs. 130 crores in the Budget had led to a price rise of 12.9% in that year. At this juncture it would not be advisable to risk deficit financing.

73. **Shri R. Venkataraman**, Member, Planning Commission stated that certain Chief Ministers had expressed difficulty in implementing the suggestion put forward in the agenda papers that the electricity rates should be raised to conform to the Venkataraman Committee recommendations. This Committee had divided the States into two categories and had stated that the first group should achieve the target of meeting the maintenance and operation expenses, depreciation reserve and interest in the course of the first three years. In this group were classified all the States except Madhya Pradesh, Madras, Punjab and U.P. which had reached the first stage of meeting that expenditure. The Committee had recommended that earnest effort should be made atleast to cover the maintenance and operation cost, interest and depreciation. Member stated that if the States would agree to bring up immediately their rates to cover the first phase, it would be possible for the power sector to get more resources for expansion and development in the next three years. With regard to the second group of States, they should endeavour to earn 11% excluding the works

in progress and the capital construction expenditure. An undertaking had been given to the World Bank that inclusive of the works in progress, Electricity Boards would endeavour to earn 11% but as a first step 11% should be earned at least on the completed works which were actually in operation. Shri Venkataraman stated that different rates of electricity obtaining in neighbouring States led to competition between the States. This competition between different States really helped to benefit private industry at the cost of the Electricity Boards. Therefore, it was necessary that neighbouring States should come together and decide upon the standard rates atleast for particular categories of industries. Shri Venkataraman suggested that a Sub-Committee of the N. D. C. might be constituted for each region which should go into the question of standard High Tension and Low Tension rates to be observed in contiguous areas. A similar approach might be considered for water rates also. There were a number of ways in which industries could be developed without offering an incentive of a lower power rate, e. g., the readiness with which land was made available or water was provided or credit facilities were arranged. After all Electricity Boards were commercial undertakings and they should try to cover their expenses and earn a little margin in order to expand and develop. If a standard power rate obtained in the region, it would also be applicable to public sector undertakings. This rate would be based on the nature of industry i.e. whether it was a chemical industry or power intensive industry or engineering industry. If the respective regions would agree to have standard rates, then it should be possible to have national rates and the ideal should be to have national rates for power throughout the country.

74. Shri Venkataraman stated that there was a general impression that all public sector enterprises were running at a loss. This impression was not correct. Of the public sector projects, 14 were promotional and developmental institutions like the Handloom Export Corporation etc., 17 were under construction and the remaining 14 public sector enterprises were now running concerns. Out of these 14 concerns, one was the Hindustan Steel Limited which accounted for Rs. 960 crores but out of this again Rs. 360 crores was for expansion. The surplus of Hindustan Steel was Rs. 62.3 crores and the profit generated by other enterprises was about Rs. 31 crores. This did not imply that there was no scope for improvement or that the public sector had reached the highest point of efficiency. If the public sector was judged only from the angle of profit, many of the principles about regional distribution of industries would suffer. Many of these public sector enterprises had been established in places which were not suitable in the sense that all the facilities were not available. If profitability was to be the only criterian, then industries would concentrate in places where infrastructures like electricity, water supply, communications, roads, etc., already existed with the result that there would be lopsided development. There was a socio-economic purpose in establishing these public sector enterprises and an infra-structure was being developed in areas where it did not exist before. Public sector had also some initial disadvantage as heavy investment had to be incurred in townships and housing. No private sector industries would put up housing and townships before earning profits. Therefore, in the initial stages the public sector undertakings would appear not to yield adequate returns. But then it had certain advantages also. The size of the units and the volume of production would in the long run enable them to meet the expenditure incurred in providing social services. The Planning Commission was currently considering the formulation of certain guidelines with regard to further expansion in the public sector before the targetted capacity had been reached. It was proposed that normally the expansion of public sector projects should be permitted only after it had reached the initial target so that it should be able to raise some internal resources. There could not be any hard and fast rule and several other factors would have to be taken into account while considering each individual case. The Commission also proposed to go into the working of the public sector units with a view to helping them to reach their optimum output as quickly as possible. Industries try to go in for foreign equipment and components

as they are stated to be available quickly and on deferred payment. In order to encourage import substitution, it was proposed that deferred payment should be made available in respect of indigenous equipment and components. This was one of the ways in which fuller utilisation of the projects which had been set up could be achieved.

75. Summing up the discussion **Dr. D. R. Gadgil**, Deputy Chairman Planning Commission stated that several useful suggestions had been made in the meeting and the Planning Commission would take note of these and incorporate them in its Plan proposals to the extent possible. Referring to the suggestion made by Shri Venkataraman, Member (Industry) regarding the setting up of regional sub-committees for standardising electricity rates, Deputy Chairman stated that the same approach could be adopted in respect of irrigation rates. In large irrigation projects, heavy investments were made and it was necessary that both from the point of view of resources and further development they should yield adequate returns. Regarding the proposal for agricultural income tax on which there had been considerable debate and criticism, Deputy Chairman pointed out that even a 5-10 acre holding of intensively irrigated land gave, at the present level of prices, a fairly sizable income which could bear a fair amount of taxation. In the rural sector there were always selected areas and selected classes and categories of people who had benefitted in the process of development and Government's policy should be to make an effort to get at the surpluses of these categories. Deputy Chairman suggested that it would be useful to set up a sub-committee which might go into the general problem of raising more resources from the rural sector.

76. Dr. Gadgil informed the Council that the Planning Commission was considering to what extent certain items of Defence production could be produced in the private sector so that it should be possible to effect some saving in Defence expenditure. The Commission also proposed to go into the working of some of the important public sector undertakings with a view to considering how their efficiency and profitability could be improved. Referring to the point made by the U. P. Chief Minister that the Plan schemes should be carefully reviewed and only such schemes as had proved useful should be continued, Deputy Chairman stated that he fully agreed with the suggestion and the Planning Commission would, at the time of considering proposals for inclusion in the Fourth Five Year Plan, make a thorough evaluation of all schemes and would discontinue such schemes as had not proved useful. A scheme would not automatically be allowed to continue merely on the ground that it was earlier included in the Plan.

77. Deputy Chairman informed the Council that the Planning Commission would start the preparation of the Fourth Five Year Plan in January 1968 and hoped to complete the draft Plan by September or October 1968. In order to complete this work in a period of 9-10 months, some of the more elaborate procedures could be cut down. At the meeting of State Planning Secretaries, which had been held earlier in the forenoon, the procedure and mechanics of preparation of the Fourth Five Year Plan had been discussed. It had been suggested that before the States could work out their proposals on the Fourth Five Year Plan, the Planning Commission should quickly draw up a policy frame or outline of approach to the Fourth Five Year Plan. Dr. Gadgil indicated that the Commission would give urgent attention to the preparation of the policy frame and to an examination of the resources position for the Fourth Plan. The result of these preliminary exercises would be placed before the National Development Council and for this purpose another meeting of the Council would be called in a few months time. He said that he was anxious that all the main stages of Planning Commission's thinking in the process of building the next Five Year Plan should be in close consultation with the members of the National Development Council so that there might be proper appreciation amongst the Chief Ministers and officials of the State Governments on the approach and of the detailed operations necessary to give effect to it. In this endeavour he sought

the fullest cooperation of the Members of the National Development Council and their officers. Deputy Chairman indicated that the manner in which the committed expenditure of the three Annual Plans should be taken care of in the Fourth Five Year Plan would be considered carefully and discussed in the National Development Council at its subsequent meeting.

78. In regard to the setting up of the regional sub-committees of the National Development Council, it was agreed that the necessary proposals might be worked out by the Planning Commission and settled with the Chief Ministers concerned by correspondence. The Council also gave its general approval to the proposal contained in the Planning Commissions paper regarding reorganisation of the Committee on Plan Projects with a view to its amalgamation with the Programme Evaluation Organisation and in corporation in the proposed Evaluation Wing.

79. Concluding the discussion, the **Prime Minister** stated that the Planning Commission and the Central Government were fully aware of and appreciated the difficulties of the States, but the States should likewise appreciate the difficulties of the Centre. It was only when the Centre and the States worked together that it was possible to get through a difficult situation. Referring to the observation made by some State Chief Ministers that the Planning Commission's assessment of the situation and strategy for the future were based on optimism, the Prime Minister stated that though the situation was not easy and many difficulties had to be faced, unless we had faith in the future it would be difficult to progress. Whenever any group or any country made up its mind not to fail, it did not fail. But, in this, it was essential to pull together. The Prime Minister was confident that if they could choose some steps on which they could work together, the country would be able to move forward in spite of the difficulties and handicaps. The situation in which the economy found itself at present had been brought about by circumstances. External aggression in which the defence expenditure had naturally gone up could not be ignored. The after effects of fighting, coupled with the two years of drought, were the main causes which were responsible for the present difficult position. At the same time the Government, both at the Centre and in the States, and the people as a whole had remarkable achievements to their credit. So there should be no cause for despondency and with a determined effort the country should be able to push forward.

Summary of the main conclusions

The National Development Council endorsed the proposal that the Fourth Five Year Plan should cover the period 1969-70 to 1973-74. The Council noted the need for making larger efforts in raising resources. The Planning Commission's suggestion to merge agriculture income-tax with general income-tax was discussed. It was decided that the Commission should set up a Committee to study the question of mobilisation of additional resources from the rural sector. The Council also decided to set up Regional Committees to go into the question of electricity and water rates. The Council recognised the need for stabilisation of agricultural prices and the building up of buffer stocks. Regarding the principles governing the allocation of Central assistance to States, the Council decided that these questions will be reviewed after the recommendations from the Administrative Reforms Commission on these matters were received. The Council endorsed the proposal to reorganise the Committee on Plan Projects and its incorporation in a composite Evaluation Wing of the Planning Commission.

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi	.. .. ..	Chairman
Dr. D.R. Gadgil	.. .. ..	Deputy Chairman
Shri Morarji R. Desai	.. .. ..	Minister of Finance
Shri R. Venkataraman	.. .. ..	Member (I)
Shri B. Venkatappiah	.. .. ..	Member (A)
Shri Pitambar Pant	.. .. ..	Member (P)
Dr. B.D. Nag Chaudhuri	.. .. ..	Member (S)

STATES

Andhra Pradesh	.. .. ..	Shri K. Brahmananda Reddy, Chief Minister
		Shri K.V. Narayan Reddi, Planning Minister
Assam	.. .. ..	Shri K.P. Tripathi, Planning Minister
Bihar	.. .. ..	Shri Karpoori Thakur, Deputy Chief Minister
		Shri B. Sinha, Planning Minister
Gujarat	.. .. ..	Shri Hitendra K. Desai, Chief Minister
Haryana	.. .. ..	Shri B.N. Chakravarty, Governor
Jammu & Kashmir	.. .. ..	Shri G.M. Sadiq, Chief Minister
		Shri D.P. Dhar, Finance Minister
Kerala	.. .. ..	Shri E.M.S. Namboodripad, Chief Minister

Madhya Pradesh	.. .. ..	Shri Govind Narayan Singh, Chief Minister
		Raja Virendra Bahadur Singh, Planning & Development Minister
Madras	.. .. ..	Shri C.N. Annadurai, Chief Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
		Shri S.K. Wankhede, Finance Minister
Mysore	.. .. ..	Shri S. Nijalingappa, Chief Minister
		Shri Ramakrishna Hegde, Finance Minister
Orissa	.. .. ..	Shri R.N. Singh Deo, Chief Minister
Punjab	.. .. ..	Shri Lachhman Singh Gill, Chief Minister
		Dr. Jagjit Singh, Finance Minister
Rajasthan	.. .. ..	Shri Mohanlal Sukhadia, Chief Minister
		Shri Mathura Das Mathur, Finance & Planning Minister
Uttar Pradesh	.. .. ..	Shri Charan Singh, Chief Minister
		Shri Ram Swarup Verma, Finance Minister

UNION TERRITORIES

Chandigarh	.. .. ..	Dr. M.S. Randhawa, Chief Commissioner

Delhi	.. .. ..	Shri V.K. Malhotra, Chief Executive Councillor
Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister
Manipur	.. .. ..	Shri Baleshwar Prasad, Chief Commissioner
Pondicherry	.. .. ..	Shri Farooq Maricar, Chief Minister

UNION MINISTERS

Shri Fakhruddin Ali Ahmed	.. .. ..	Minister of Industrial Development & Company Affairs
Shri Jai Sukh Lal Hathi	.. .. ..	Minister of Labour, Employment & Rehabilitation
Shri Jagjivan Ram	.. .. ..	Minister of Food, Agriculture, Community Development and Cooperation
Shri P. Govinda Menon	.. .. ..	Minister of Law
Shri C.M. Poonacha	.. .. ..	Minister of Railways
Prof. V.K.R.V. Rao	.. .. ..	Minister of Transport and Shipping
Dr. M. Channa Reddy	.. .. ..	Minister of Steel, Mines and Metals
Dr. Triguna Sen	.. .. ..	Minister of Education
Dr. Karan Singh	.. .. ..	Minister of Tourism & Civil Aviation
Dr. Ram Subhag Singh	.. .. ..	Minister of Parliamentary Affairs and Communications
Sardar Swaran Singh	.. .. ..	Minister of Defence
Shri Satya Narayan Sinha	.. .. ..	Minister of Health and Family Planning
Shri K.K. Shah	.. .. ..	Minister of Information and Broadcasting
Dr. K.L. Rao	.. .. ..	Minister of Irrigation and Power
Shri Jagannath Rao	.. .. ..	Minister of Works, Housing and Supply.

SPECIAL INVITEE

Shri L.K. Jha	.. .. ..	Governor, Reserve Bank of India.

TWENTYFIFTH MEETING

OF THE

NATIONAL DEVELOPMENT COUNCIL

SUMMARY RECORD

NEW DELHI : MAY 17 AND 18, 1968

सत्यमेव जयते

GOVERNMENT OF INDIA
PLANNING COMMISSION

SUMMARY RECORD OF THE TWENTYFIFTH MEETING OF THE NATIONAL DEVELOPMENT COUNCIL

AGENDA PAPERS

*ITEM I — APPROACH TO THE FOURTH FIVE YEAR PLAN

ITEM II — PRINCIPLES FOR THE DISTRIBUTION OF CENTRAL ASSISTANCE.

The practice of giving Central assistance to the States for financing development schemes had been in vogue even before the advent of Five Year Plans. On the termination of World War II, the Central and the Provincial Governments had embarked on certain development projects which received Central assistance in the form of what were known as post-war development grants. Though some of these grants had stopped by 1950-51, grants for grow more food schemes and certain other special schemes continued.

2. The First Five Year Plan of the States comprised some of the post-war reconstruction and development schemes which had already commenced in the States and some new schemes calculated to enhance agricultural production. In a total outlay originally estimated at Rs. 2069 crores the outlay of Part A and B States accounted for Rs. 800 crores. Many schemes which should have appropriately found place in the State sector, were included under the Central sector because the exact distribution of their financial liability had not been decided upon. Multipurpose river valley schemes like Damodar Valley, Bhakra-Nangal, Hirakud and Harike and community development projects and projects for special minor irrigation, local works, scarcity affected areas, basic and social education, industrial housing, etc. fell under this category.

3. Originally, a Central assistance of Rs. 193 crores for the outlay of Rs. 800 crores had been communicated to the States. The actual expenditure on the States' First Five Year Plan, however, amounted to Rs. 879 crores. The actual amount of Central assistance for the State Plan schemes added upto Rs. 332 crores. The figure of Central assistance communicated to States earlier and the amounts actually distributed are given in Annexure I. For the schemes mentioned in para 2 above, which were provided in the Central sector an amount of Rs. 548 crores was distributed among the States. These figures are also shown in Annexure I.

4. No clear indication is available as to how the distribution of Central assistance to the States was decided upon. Even though the amount of Central assistance for each State was arrived at after discussions with the Chief Ministers about the resources of the States and the nature of projects in the Plan (i.e. continuing irrigation and power projects and the programmes relating to agricultural production, etc.), the position remained more or less in a fluid state for a variety of reasons. Firstly, the Plan itself was finalised a year after the programmes had been taken up on the basis of the 'Outline'. Secondly, the First Finance Commission's report became available only in December, 1952. In the circumstances, the position regarding normal devolution of funds between the Centre and the States could not be clearly visualised at the time of Plan formulation. The following extracts from the 'First Five Year Plan' are relevant in this connection:

*This has been printed separately.

"Over the period of the Plan, there will be a flow of assistance from the Centre to the States under a variety of heads. Apart from grants-in-aid of a statutory nature, the States will receive assistance in the form of loans for river valley schemes, minor irrigation, rehabilitation of displaced persons, community projects, cottage and small scale industries and other schemes of development included in the Plan as well as grants from the Central Road Fund for construction of roads, grants for relief of displaced persons, grants for raising food production, etc. For operational reasons, many of the schemes of development for which the assistance mentioned above will be given are included in the Plan as part of the development schemes of the Central Government and so the estimated assistance for the State Plans as such works out to only about Rs. 193 crores. But this, we must emphasise, is only a matter of presentation and the share of the States in the development programme of the public sector, as well as the magnitude of the transfers which will be necessary from the Centre to the States, are both very much larger than would appear at first sight.

In the 'Central assistance', as estimated for operational purposes, referred to above, has been included assistance only under the following heads :bonuses on food procurement (now discontinued), grants and loans for the Grow More Food Campaign, special grants to Part 'B' States for development and loans for 'miscellaneous development........

From a preliminary review of the working of the State Plans in 1951-52, and the budgets of the State Governments for 1952-53, it would appear that the task of organising finances to the pattern outlined in the above paragraphs has by and large yet to begin... .These considerations as well as the relative merits of the schemes which are now being added on as compared to the schemes which were originally in the State Plans, are matters which deserve close examination. But we must emphasise that the capacity of the Centre to give additional assistance is limited...... .The whole scheme of Central assistance, as now worked out, may have also to be readjusted in the light of the recommendations of the Finance Commission. All these would have to form part of the pre-assessment of State finances referred to already".

5. At the commencement of the Second Five Year Plan majority of the schemes which were provided in the Central sector but were being implemented by the State outside the Plan were transferred to the State sector and included in the State Plans.

The Plan outlays of individual States were decided after discussions between the Planning Commission and the Chief Ministers. The considerations which the Planning Commission had kept in view in determining the size of the individual State Plans were set out in a Paper presented to the National Development Council in September, 1955, as follows :-

"In considering the magnitude of the Plan of a State for the period 1956-61, the Planning Commission has taken into account a number of factors. No single criterion or set of formulae if applied by itself in a uniform manner to all States is found to be adequate or tenable. The principal considerations are :

(i) Population;

(ii) Commitments carried over from the First Plan to the Second Plan with reference to Irrigation and Power Projects as well as other heads of development ;

(iii) The extent of development during the First Five Year Plan and the general level of development expected to be reached at the end of the First Plan ;

(iv) The revenue position of the State as represented both by its total revenue and the extent to which it is able to finance its Second Plan on the revenue account ;

(v) The programme of irrigation and power projects for the Second Plan, especially in the light of the examination and recommendations of the Technical Committee for Irrigation and Power".

The resources of all the States taken together amounted to approximately Rs. 826 crores against the outlay of Rs. 2103 crores thus leaving a gap of nearly Rs. 1280 crores. The quantum of Central assistance for each State had not been indicated but it was mentioned in the Plan document that in view of the fact that the resources of all the States taken together fell short of the requirements by as much as 60%, large transfers of resources from the Centre to the States were inevitable. Central assistance on account of Annual Plan outlay was settled each year after discussion. As against the gap of Rs. 1280 crores in the resources, the Central assistance actually given to the States during the Second Five Year Plan amounted to Rs. 1058 crores. A statement giving the details of the States' Plan outlays and resources and the amount of Central assistance given to them for the five years of the Second Five Year Plan may be seen at Annexure II.

6. The outlays as well as the quantum of central assistance for the Third Five Year Plan for each State were decided after full discussion with the State Chief Ministers. Considerations which governed the determination of outlays of States for the Third Plan were indicated in a paper of the Planning Commission placed before the National Development Council at its 16th meeting on the 12th and 13th September, 1960. These have also been summarised in the Third Five Year Plan document, an extract from which is reproduced below :-

“In determining the Plan of each State consideration was given to its needs, problems, past progress and lags in development, likely contribution to the achievement of the major national targets, potential for growth and the contribution in resources which the State could make towards its development programmes. In assessing needs and problems, such factors as population, area, levels of income and expenditure, commitments carried over from the Second Plan, commitments on account of large projects or special programmes and the state of technical and administrative services available were taken into account. Care was also taken to see that States whose resources were unavoidably small did not have to limit development to a scale which was altogether insufficient, merely because of paucity of resources. At the same time States which were able to make a larger effort in mobilising their own resources could undertake development on an appropriate scale......"

The States' resources for the Third Five Year Plan were estimated at Rs. 1462 crores and the Central assistance at Rs. 2375 crores. Intimation about the Central assistance fixed for individual States was given to the State Government before the commencement of the Plan. Central assistance fixed earlier and the actual amount given to the States are shown in Annexure II. The annual assistance for the Plan was decided after discussion with each State after examination of its resources and the requirement of the Plan programmes.

7. It may be observed that during the first three Plans, stress was laid mainly on the principles which would determine the Plan outlays rather than the quantum of Central assistance. The quantum was largely decided in the light of the gap in resources of each individual State in relation to the Plan outlay decided upon. The amounts of annual plan assistance were invariably decided at the time of annual plan discussions.

8. The desirability of evolving objective principles for allocating Central assistance was emphasised by several Chief Ministers during discussions on the preliminary memoranda on the Fourth Five Year Plan held in June-July, 1965. Views of the State Governments on this subject were thereupon invited and incorporated in a paper placed before the National Development Council in

August, 1966. Divergent views were expressed by the Chief Ministers each one suggesting different priorities. No agreed conclusion could, therefore, be reached in the National Development Council which asked the Planning Commission to evolve a set of principles in the light of discussions held in the National Development Council. Accordingly, the Planning Commission drew up the following guidelines for determining the quantum of central assistance for each State for the period of the Fourth Plan as then envisaged :-

(i) Every State should receive first the quantum of 70% of the total amount to be distributed in proportion to its population ;

(ii) The balance should be distributed after taking into account:

(a) special needs of Assam, Jammu and Kashmir and Nagaland;

(b) commitments of some of the States required to spend large amount on continuing schemes of Irrigation and Power which are of national importance;

(c) the requirements for ensuring accelerated development of certain backward regions, hilly areas, etc.

For financing States' Plan outlay of Rs. 7073 crores indicated in the Draft Outline of the Fourth Five Year Plan (August, 1966), central assistance envisaged was of the order of Rs. 3500 crores. On the basis of the guidelines mentioned above, the Planning Commission finalised the amounts of Central assistance and outlays after detailed discussions with the Chief Ministers in October-November, 1966. The total assistance indicated to the States as a result of these discussions aggregated to Rs. 3571 crores.

9. The Annual Plan for the year 1966-67 had to be finalised before the conclusion of discussions with the States on their Five Year Plans as the amounts of Central assistance had to be intimated in time for their budgets. Certain States had to be given accelerated assistance to meet the situation created by external aggression, drought and their earlier commitments. The quantum of assistance for the Annual Plan 1966-67 was, therefore, decided on an ad hoc basis. An indication was, however, given to the States Chief Ministers that amounts so given would be adjusted later in the overall assistance for the whole Plan.

10. For the Annual Plan 1967-68, the resources at the disposal of the Centre were extremely limited. On the other hand, the continued drought in several parts of the country and the commitments of some of the States, necessitated the grant of continued accelerated assistance to them. As a result, the distribution of Central assistance had to be on an ad hoc basis again. The effect of the ad hoc distribution over the first two years had deprived some of the States of their share in the Central assistance. These States were pressing for making up the entire shortfalls in the year 1968-69 itself. Notionally all the States had to be given the agreed assistance over a period of five years. For determining the amounts of Central assistance for the year 1968-69, therefore, calculations were made in the proportion of the Central assistance indicated to States to the overall assistance for all States estimated earlier and a corrective was applied to the amount so calculated to the extent of one-third of the difference between the assistance that was due to a State and the amount that was actually received by it during the two years, 1966-68.

11. Considering the fact that a new Five Year Plan is being formulated, the Planning Commission feel that it would be appropriate to re-examine the principles underlying the distribution of Central assistance to the States. Accordingly, the State Governments were requested to express their views in this regard. A summary of their views is given in annexure-III. Briefly stated, the following

points emerge from the views expressed by the State Governments :—

(i) A few States have suggested that a major portion of the total assistance should be distributed on population basis (Kerala 50%, Gujarat 60%, Haryana 70%, Bihar, Maharashtra, Uttar Pradesh 80% and West Bengal 90-100%). Governments of Punjab and Rajasthan are opposed to population being the main criteria for distribution of assistance.

(ii) According to the Governments of West Bengal, Kerala and Uttar Pradesh, special considerations should be given to the requirements of border States of Jammu & Kashmir, Assam, Nagaland and hilly and specially backward areas in different States.

(iii) Governments of Andhra Pradesh, Rajasthan, Kerala, Punjab are of the view that the Plan outlay should be determined first on the basis of needs, problems, resources potentials, etc., of each State. The quantum of Central assistance should be determined by the essential Plan Outlay and the resource potential of the State.

(iv) Governments of Haryana, Madhya Pradesh, Punjab, Uttar Pradesh and Rajasthan have laid stress on meeting the full requirements of big continuing Irrigation and Power Projects.

(v) States of Andhra Pradesh, Punjab, Haryana and Kerala have suggested that investment in the central sector within the State boundaries should be taken into consideration in deciding upon the quantum of assistance for individual States.

(vi) Kerala Government have suggested that the food deficit of the State and the vulnerability of its economy to fluctuations in the export market should be taken into consideration.

(vii) The Government of West Bengal would like revenue surpluses on account of the recommendations of Finance Commission to be taken into account in fixing the Central assistance; the Government of Maharashtra is opposed to this approach.

(viii) Government of Orissa has suggested the fixation of Central assistance for each State after mutual discussion and not according to any pre-determined criteria and its finalisation after the report of the Fifth Finance Commission becomes available.

(ix) The Government of Madras has suggested that pressure of population as well as certain especial factors, e.g., influx of repatriates from abroad should be the sole criteria for distribution of Central assistance among States and the criteria of relative backwardness of States does not ensure objectivity due to lack of relevant comparable indicators of development.

12. The main issues requiring consideration for determining the principles for the distribution of Central assistance are set out below :-

(i) Should the Central assistance to individual States be pre-determined for the Plan period as a whole ? Should the allocations in the annual Plan of a State be necessarily in proportion to the pre-determined five-year assistance ? If not, what should be the considerations governing variations from year to year? How should adjustments be made to ensure correspondence with the pre-determined amount of assistance for the whole Plan ?

(ii) If the assistance of individual States is not to be pre-determined for a five-year period, what should be the principles governing the distribution of annual plan assistance ?

(iii) Should special consideration be given to the requirements of border States like Jammu & Kashmir, Assam and Nagaland as hitherto ?

(iv) Should population constitute one of the main criteria for determining Central assistance and if so, what should be the weightage given to it ?

(v) What weightage should be given to the following facts in determining the quantum of Central assistance to individual States ?

(a) Economic backwardness of the State as determined by per capita income, concentration of tribal population, markedly backward and hill areas, chronically drought affected areas, and desert areas;

(b) Commitments on account of continuing schemes ;

(c) Potential for raising resources and the performance of the individual States in mobilising them;

(d) Central sector investment in individual States ;

(e) The quantum of assistance received by each State over the last 18 years ;

(f) Special features, such as density of population, rehabilitation of displaced persons, etc.

The views of the National Development Council are solicited on the points mentioned in paragraph (12) above.

Annexure I

Central assistance to States under the First Five Year Plan

(Rs. in crores)

State	Central assistance for State Plans		Central assistance	Total
	Original allocation	Actual payment	for Centrally sponsored schemes	(Col. 3+4)
1	2	3	4	5
1. Andhra Pradesh	10.0	35.0	26.0	61.0
2. Assam	11.0	14.0	7.0	21.0
3. Bihar	15.0	25.0	30.0	55.0
4. Bombay*	22.0	42.0	38.0	80.0
5. Jammu and Kashmir	10.0	8.0	2.0	10.0
6. Kerala	7.0	13.0	11.0	24.0
7. Madhya Pradesh	16.0	27.0	34.0	61.0
8. Madras	20.0	36.0	6.0	42.0
9. Mysore	8.0	25.0	22.0	47.0
10. Orissa	10.0	11.0	66.0	77.0
11. Punjab	13.5	20.0	121.0	141.0
12. Rajasthan	9.0	15.0	45.0	60.0
13. Uttar Pradesh	15.0	27.0	61.0	88.0
14. West Bengal	26.5	34.0	79.0	113.0
Total	193.0	332.0	548.0	880.0

*Including Saurashtra

Annexure II

Plan outlay and Central assistance to States—Second Five Year Plan

(Rs. in crores)

	States	Plan Outlay	State Resour-ces	Gap	Central assistance allocated	Central assistance finally paid	Actual expenditure
	1	2	3	4	5	6	7
1.	Andhra Pradesh	219.2	59.7	159.5	100.9	96.0	180.6
2.	Assam	57.9	17.3	40.6	33.8	31.0	63.1
3.	Bihar	194.2	77.2	117.0	92.3	84.0	176.9
4.	Bombay*	313.9	202.1	111.8	139.3	124.0	360.8
5.	Jammu and Kashmir	33.9	(—)12.6	46.5	24.4	20.0	26.8
6.	Kerala	72.0	35.2	36.8	38.0	38.0	79.0
7.	Madhya Pradesh	191.0	62.7	128.3	104.7	96.0	145.5
8.	Madras	175.1	90.2	82.9	95.5	95.0	186.9
9.	Mysore	80.6	13.3	67.3	73.9	67.0	138.7
10.	Orissa	100.0	27.2	72.8	68.9	66.0	89.4
11.	Punjab	162.6	46.1	116.5	97.1	88.0	151.4
12.	Rajasthan	97.4	29.8	67.6	57.5	59.0	99.9
13.	Uttar Pradesh	253.1	110.2	142.9	138.5	121.0	228.3
14.	West Bengal	153.7	64.4	89.3	82.6	73.0	155.8
	Total	2102.6	822.8	1279.8	1147.4	1058.0	2083.1

*Including Saurashtra

Annexure II (Contd.)

State Plan Outlays and Central assistance under the Third Five Year Plan

(Rs. in crores)

	States	Third Plan outlay	Assistance originally fixed	Actual expenditure 1961-66	Central assistance paid 1961-66
	1	2	3	4	5
1.	Andhra Pradesh	305.00	195.4	339.0	220.5
2.	Assam	120.00	85.0	133.5	99.9
3.	Bihar	337.04	213.1	315.2	215.9
4.	Gujarat	235.00	110.4	237.2	111.6
5.	Jammu and Kashmir	75.00	60.5	64.6	61.5
6.	Kerala	170.00	109.4	178.7	121.7
7.	Madhya Pradesh	300.00	202.4	284.8	219.5
8.	Madras	290.88	185.6	337.2	186.8
9.	Maharashtra	390.20	166.1	413.8	166.8
10.	Mysore	250.00	136.8	253.3	156.5
11.	Orissa	160.00	128.7	205.2	136.7
12.	Punjab	231.39	130.8	246.7	134.4
13.	Rajasthan	236.00	152.4	205.0	161.4
14.	Uttar Pradesh	497.00	342.0	542.1	356.2
15.	West Bengal	250.00	156.4	301.5	155.1
16.	Nagaland			10.8	10.8
	Total	3847.51	2375.0	4068.6	2515.3

Annexure-II (Contd.)

Central assistance to States in 1966-67 and 1967-68

(Rs. in crores)

States	Fourth Plan 1966-71				1966-67				1967-68				1966-68
	Plan Outlay	Central assistance	State Resources	Central assistance as % of total assistance	Approved outlay	Central assistance on basis of Col. 5	Central assistance allocated	Excess (+) Short (–)	Approved outlay	Central assistance on basis of Col.5	Central assistance allocated	Excess (+) Short (–)	Excess (+) Short (–) Col. 9+ Col. 13
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Andhra Pradesh	522	280	242	7.8	90.50	45.9	61.3	+15.4	68.9	46.4	57.5	+11.1	+26.5
Assam	190	175	15	4.9	29.45	28.8	26.4	–2.4	30.0	29.1	30.0	+0.9	–1.5
Bihar	545	292	253	8.2	78.53	48.2	50.2	+2.0	66.2	48.8	51.5	–2.7	+4.7
Gujarat	446	165	281	4.6	51.99	27.0	21.7	–5.3	72.6	27.4	25.0	–2.4	–7.7
Haryana	168	91	77	2.5	**	14.7	17.0*	+2.3	24.2	14.9	15.0	+0.1	+2.4
Jammu & Kashmir	126	126	–	3.5	19.04	20.6	18.8	–1.8	20.3	20.8	19.5	–1.3	–3.1
Kerala	293	182	111	5.1	40.55	30.0	28.3	–1.7	42.6	30.3	31.0	+0.7	–1.0
Madhya Pradesh	458	288	170	8.1	62.30	47.6	43.8	–3.8	60.4	48.2	49.5	+1.3	–2.5
Madras	564	250	314	7.0	79.58	41.2	40.1	–1.1	77.3	41.6	38.0	–3.6	+4.7
Maharashtra	951	261	690	7.3	123.09	42.9	25.7	–17.2	122.4	43.4	33.0	–10.4	–27.6
Mysore	421	222	199	6.2	53.07	36.4	36.3	–0.1	60.3	36.9	36.0	–0.9	–1.0
Orissa	300	150	150	4.2	51.09	24.7	30.0	+5.3	46.0	25.0	26.0	+1.0	+6.3
Punjab	280	95	185	2.7	62.43	15.9	20.7	+4.8	42.0	16.0	16.0	–	+4.8
Rajasthan	313	227	86	6.4	47.40	37.0	36.9	–0.1	43.0	37.5	39.0	+1.5	+1.4
U.P.	926	495	431	13.8	148.77	81.7	94.3	+12.6	156.0	82.7	87.5	+4.8	+17.4
West Bengal	503@	245	258	6.9	61.34	40.6	31.3	–9.3	60.8	41.0	34.0	–7.0	–16.3
Nagaland	30	27	3	0.8	5.11	4.7	5.1	+0.4	6.3	4.8	6.3	+1.5	+1.9
Total	7030	3571	3465	100.0	1004.24	587.9	587.9	+42.8 –42.8	999.3	594.8	594.8	+25.6 –25.6	+65.4 –65.4

@Tentative **Included in Punjab

*On the basis of 45.2% of the assistance for composite Punjab.

Annexure II (Contd.)

Central assistance to States for 1968-69

(Rs. in crores)

	States	Assistance allocable on proportionate basis	Correction Factor	Assistance allocated by Planning Commission
	1	2	3	4
1.	Andhra Pradesh	46.0	– 8.7	37.3
2.	Assam	28.9	+ 0.5	29.4
3.	Bihar	48.4	– 1.6	46.8
4.	Gujarat	27.1	+ 2.6	29.7
5.	Haryana	14.7	– 0.8	13.9
6.	Jammu and Kashmir	20.7	+ 1.0	21.7
7.	Kerala	30.1	+ 0.3	30.4
8.	Madhya Pradesh	47.8	+ 0.8	48.6
9.	Madras	41.3	+ 1.6	42.9
10.	Maharashtra	43.1	+ 9.2	52.3
11.	Mysore	36.6	+ 0.3	36.9
12.	Orissa	24.8	– 2.1	22.7
13.	Punjab	15.9	– 1.6	14.3
14.	Rajasthan	37.8	– 0.5	37.3
15.	Uttar Pradesh	81.4	– 5.8	75.6
16.	West Bengal	40.7	+ 5.4	46.1
17.	Nagaland	4.7	– 0.6	4.1
	Total	590.0	+ 21.7 – 21.7	590.0

ANNEXURE-III

Analysis of points raised in replies from States to Planning Commission letter of March 8, 1968 regarding principles of allocation of Central assistance to States for the New Fourth Five Year Plan.

State		Principles of allocation of Central assistance
1. Andhra Pradesh	(1)	Level of development of State.
	(2)	Resources raised by a State be assessed on the basis of taxation level attained in the region.
	(3)	Plan performance Outlay and expenditure in Third Plan.
	(4)	Central investment in a State.
	(5)	Location of major industries in a State.
2. Assam	(1)	Rigid application of any set formula or specific pattern of allocation is not favoured.
	(2)	Quantum of assistance should enable the State to implement a Fourth Plan of adequate size conforming to the needs and potential of development.
	(3)	In deciding the assistance for Assam's new Fourth Plan, consideration should be given to the following : (i) Development of economic overheads-Irrigation, flood control, power, transport and communications, (ii) a comprehensive programme of industries, (iii) acceleration of development of hill areas and other backward pockets, (iv) lags in development.
3. Bihar	(1)	80% of the quantum of assistance to be distributed on the basis of population.
	(2)	The balance of 20% be distributed after taking account of requirements of Jammu & Kashmir, Assam and Nagaland, (i) continuing I & P projects, (ii) accelerated development of backward and hill areas and border areas and (iii) Agricultural production and rural electrification.
	(3)	States which do not get adequate share of Central investment should be given higher outlay and assistance in the State Plan.
4. Gujarat		60% on the basis of population. 15% on the basis of Scheduled Castes and Scheduled Tribes population. 10% on the basis of level

of development of irrigation, rural electrification and roads. 15% on the basis of past performance in the matter of raising resources for the Plan.

5. Haryana

The present criteria of fixing Central assistance partly on population and partly on other considerations should continue. Other factors should include (i) full requirements of multipurpose projects with long gestation periods, (ii) special needs of some of the most backward areas (chronically drought affected areas), (iii) direct Central investment in a State, (iv) special needs of States like Jammu & Kashmir, Assam and Nagaland (v) disparities and imbalances in development as between the new Punjab and Haryana States consequent to the re-organisation of former Punjab State.

6. Jammu and Kashmir

The criteria adopted by the Planning Commission is not suitable. Special needs and problems of States like Jammu & Kashmir should be fully taken into account.

7. Kerala

(1) Total quantum of Central assistance for all States should be determined on the principles of most effective allocation of resources in accordance with the approach, objectives and priorities of the Plan and the relative sphere of responsibility of the Central and State Govts. under the Constitution. The Central allocation under the sectors included in the Constitution in the State List be kept at a very low level.

(2) 50% of the total quantum of Central assistance be distributed on the basis of population.

(3) The remaining 50% be distributed after taking into account the following:

(i) Central and private sector investment in a particular State during the last 17 years.

(ii) The per capita State income.

(iii) Deficiency of States in the matter of production of basic needs of the people.

(iv) Vulnerability of the State's economy to fluctuations of price of exported primary products.

(v) The overall financial position of the State Govts.

(vi) The resources raised by the State Govt. over the last 10 years.

(vii) Plan performance of the State over the last 10 years.

(viii) Spill over commitment on account of Centrally sponsored schemes transferred to the State sector.

(ix) Special needs of certain States like Jammu & Kashmir and

		NEFA.
8. Madhya Pradesh	(1)	Population
	(2)	Area.
	(3)	Amount needed for completion of spill-over programmes, particularly in the irrigation and power sectors;
	(4)	Provision required for programmes to bring the economy and Special Services of a State at par with other advanced States;
	(5)	Special needs of particular States, specially communications, etc.
	(6)	Provision required for utilising existing assets and services to the fullest extent.
	(7)	Requirements of big inter-State projects like development of Narmada.
9. Madras	(1)	The pressure of population together with certain special factors such as influx of repatriates from abroad should be the sole basis for distribution of Central assistance.
	(2)	Relative backwardness of States as a basis for distribution of Central assistance does not ensure objectivity in the matter of fixation of Central assistance for lack of relevant comparable indicators of development.
10. Maharashtra	(1)	80% of the total quantum to be allocated on the basis of population.
	(2)	10% on the basis of area.
	(3)	Balance of 10% to be allocated on the basis of relative economic and social backwardness.
	(4)	Surplus in non-Plan budget resulting from the recommendation of the Finance Commission should not be taken into account.
11. Nagaland		In view of the existing financial position of the State Government the entire Plan Outlay has to be financed by the Centre. No specific suggestions have been offered.
12. Orissa	(1)	Fixation of Central assistance for each State should be on the basis of mutual discussion and not according to any pre-determined specific pattern of assistance.
	(2)	Report of the Fifth Finance Commission may be awaited as it would determine resources of State Governments for the Plan.
13. Punjab	(1)	The present formula-70% to be distributed on population and balance on consideration of special needs of certain areas thwarts the growth of the National economy.
	(2)	State Plan Outlays may first be determined on the basis of (i) production potential of different States, (ii) requirements of continuing

irrigation and power projects.

(3) Adequate assistance should be provided to cover the Plan Outlays determined as in (2) above.

(4) States which do not get adequate investment from Central sector plan should be compensated by way of higher outlay and assistance for the State Plan.

14. Rajasthan

(1) The existing criterion-70% on population and balance on other considerations is opposed.

(2) Balanced development of the country and removal of regional disparities.

(3) *Per capita* outlay and not *per capita* assistance should be the main criterion.

(4) Plan Outlays should first be determined on basis of minimum need taking into account-

(i) Special requirements of hilly and desert areas.

(ii) Minimum special amenities, drinking water supply, medical facilities and communications, national average in enrolment in schools.

(iii) Population of Scheduled Castes & Tribes.

(iv) Weak cooperatives.

(v) Special problems such as water logging.

(vi) Industrial Backwardness.

(5) The Central assistance should be the difference between the outlay thus determined and the contribution of States assessed independently.

(6) Preference to be given to backward States for location of Central Industrial Projects.

(7) Need for making compensatory investment under the Plan of backward States to make up the inadequacy of private investment and institutional finances.

15. Uttar Pradesh

(1) 80% on the basis of population.

(2) 20% on the basis of economic backwardness.

(3) For the removal of regional disparities, the assistance to backward States like U.P. should be more than their share on population basis.

(4) No irrigation and power schemes should be included in the Central sector.

(5) Central and private investment in a State Industries should be located in order to ensure balanced development of the country.

(6) Specially backward areas.

(7) Efforts at raising resources.

(8) Financial discipline by a State.

16. West Bengal

(1) Total quantum of Central assistance should be first determined. For doing so revenue surplus accruing to some States according to Finance Commission would be fully taken into account.

(2) Total amount thus determined should be allocated-100% on population basis.

OR

90% on population and balance 10% on the criteria recommended by the Fourth Finance Commission for distribution of 20% of the excise duties among the States.

17. Mysore

The criteria spelt out by the Planning Commission are unexceptionable. In their interpretation, however, the Planning Commission should be more specific, particularly the projects of national importance under irrigation and power, backward and chronically drought affected areas, etc. should be carefully selected. Other considerations advanced are-

(i) Economic and Social well being enjoyed by the State's population.

(ii) Totality of investment in a State—State, Centre and private sectors.

(iii) Tax revenue as percentage of State income.

Annexure-IV

Investment of Central Projects in the different States

Statements are enclosed indicating the Central investment in the States on industrial projects, major ports and Central power generation schemes during the Plan period covering 1951-68. Similar information for other sectors like railways, roads, education, health etc. is not given, as it is difficult to work out the break-up of such investment on a Statewise basis.

Statewise Investment on Central Industrial Projects

States	Investment in 1st Plan	Investment in 2nd Plan	Investment in 3rd Plan	Total investment during the three plan periods	Estimated investment in 1966-68	Total investment during 1951-68
1	2	3	4	5	6	7
Andhra Pradesh	8.3	1.7	52.5	62.5	24.8	87.3
Assam	—	—	32.8	32.8	7.4	40.2
Bihar	8.2	21.2	184.7	214.1	142.4	356.5
Gujarat	—	—	45.0	45.0	3.5	48.0
Jammu and Kashmir			NIL			
Kerala	1.0	0.9	49.2	51.1	17.2	68.3
Maharashtra	2.0	1.7	43.6	47.3	2.6	49.9
Madhya Pradesh	—	221.8	192.6	414.4	44.7	459.1
Madras	5.8	33.4	141.4	180.6	65.2	245.8
Mysore	7.1	3.3	17.2	27.6	20.8	48.4
Orissa	6.5	199.3	154.7	360.5	57.6	418.1
Punjab	—	28.0	4.2	32.2	—	32.2
Haryana	—	—	7.0	7.0	1.5	8.5
Rajasthan	—	—	12.2	12.2	18.3	30.5
Uttar Pradesh	—	—	72.1	72.1	75.8	147.9
West Bengal	5.9	182.9	135.0	323.8	84.4	408.2
Delhi	0.5	—	—	0.5	0.3	0.8
Total	**45.3**	**694.2**	**1144.2**	**1883.7**	**566.0**	**2449.7**

Note : These are approximate estmates of fixed investment in Central Industrial Projects in different States.

Statewise Location and Investment on Central Industrial Projects

(Rs. in crores)

States	Name of the Project	Location	Invest-ment in 1st Plan	Invest-ment in 2nd Plan	Invest-ment in 3rd Plan	Total investment during the three plan periods	Estimated investment in 1966-68	Total estimated invest-ment in 1951-68
1	2	3	4	5	6	7	8	9
Andhra Pradesh	Hindustan Shipyard including expansion subsidy and Dry Dock	Vishakhapatnam	8.3	1.7	5.6	15.6	4.7	20.3
	Praga Tools Ltd.	Secunderabad	††	††	1.9	1.9	—	1.9
	Machine Tools Factory	Hyderabad	—	—	7.6	7.6	1.5	9.1
	B.H.E.L.H.T. Switchgear Project	Ramachandrapuram	—	—	0.4	0.4	1.6	2.0
	B.H.E.L. Heavy Power Equipment Plant (including expansion)	—do—	—	—	24.0	24.0	8.0	32.0
	Synthetic Drugs Plant	Sanatnagar	—	—	13.0	13.0	7.1	20.1
	Heavy Plate and Vessel Project	Vishakhapatnam	—	—	—	—	1.9	1.9
		Total	**8.3**	**1.7**	**52.5**	**62.5**	**24.8**	**87.3**
Assam	Nunmati Refinery	Nunmati	—	—	17.7	17.7	—	17.7
	Namrup Fertilisers	Namrup	—	—	15.1	15.1	7.4	22.5
		Total	**—**	**—**	**32.8**	**32.8**	**7.4**	**40.2**
Bihar	Sindri Fertilizer	Sindri	8.2	13.2	—	21.4	—	21.4
	Barauni Refinery	Barauni	—	—	47.0	47.0	2.0	49.0
	Heavy Machine Building Plant Heavy Machine Tools Plant Foundry Forge Plant	Ranchi	—	8.0	120.0	128.0	60.0	188.0
	Pyrites and Chemical Development Corporation	Sindri	—	—	1.2	1.2	4.9	6.1
	Bokaro Steel Plant	Bokaro	—	—	16.5	16.5	75.0	91.5
	Rakha Copper Project	Rakha	—	—	Neg.	Neg.	0.5	0.5
		Total	**8.2**	**21.2**	**184.7**	**214.1**	**142.4**	**356.5**

1	2	3	4	5	6	7	8	9
Gujarat	Koyali Refinery	Koyali	—	—	45.0	45.0	2.5	47.5
	Gujarat Aromatics	Koyali	—	—	—	—	0.5	0.5
		Total	**—**	**—**	**45.0**	**45.0**	**3.0**	**48.0**
Jammu and Kashmir		NIL						
Kerala	L.D.T. factory (including expansion)	Alwaye	—	0.9	0.1	1.0	0.1	1.1
	Rare Earth Factory	Alwaye	1.0	—	—	1.0	—	1.0
	FACT (third stage expansion)	Alwaye	††	††	11.0	11.0	—	11.0
	FACT (fourth stage expansion)	Alwaye	—	—	—	—	2.2	2.2
	Machine Tools Factory	Kalamassary	—	—	7.0	7.0	1.5	8.5
	Cochin Refinery	Cochin	—	—	30.0	30.0	2.0	32.0
	Cochin Shipyard	Chochin	—	—	0.6	0.6	0.4	1.0
	Cochin Fertilizers	Cochin	—	—	0.5	0.5	11.0	11.5
		Total	**1.0**	**0.9**	**49.2**	**51.1**	**17.2**	**68.3**
Maharashtra	Hindustan Antibiotics (including expansion)	Pimpri	2.0	1.7	2.8	6.5	0.5	7.0
	Trombay Fertilisers	Trombay	—	—	38.7	38.7	—	38.7
	Organic Intermediates Plant	Panvel	—	—	2.0	2.0	1.7	3.7
	Kyona Aluminium	Koyna	—	—	0.1	0.1	0.4	0.5
		Total	**2.0**	**1.7**	**43.6**	**47.3**	**2.6**	**49.9**
Madhya Pradesh	Bhilai Steel Plant (1 m. tonnes) Expansion of Bhilai Steel Plant (including Bhilai 6th Blast Furnace)	Bhilai	—	191.8	10.5	202.3	—	202.3
		Bhilai	—	—	141.0	141.0	27.0	168.0
	Heavy Electrical Plant (including expansion)	Bhopal	—	24.4	33.6	58.0	7.0	65.0
	Nepa Paper Mills (including expansion)	Nepanagar	—	5.6	1.4	7.0	3.1	10.1
	Security Paper Mills	Hoshangabad	—	—	5.9	5.9	3.7	9.6
	Korba Aluminium	Korba	—	—	0.2	0.2	1.5	1.7
	New Alkaloid Factory	Neemuch	—	—	—	—	0.4	0.4

1	2	3	4	5	6	7	8	9
	Mandhar Cement Factory (of cement Corporation of India)	Mandhar	—	—	—	—	2.0	2.0
		Total	**—**	**221.8**	**192.6**	**414.4**	**44.7**	**459.1**
Madras	Integral Coach Factory	Perambur	5.8	3.3	**	9.1	—	9.1
	Teliprinters Factory	Madras	—	0.1	**	0.1	**	0.1
	Neiveli Lignite Corporation Ltd.	Neiveli	—	30.0	109.0	139.0	22.0(I)	161.0
	Surgical Instrument Factory	Guindy	—	—	4.2	4.2	0.4	4.6
	B.H.E.L. High Pressure Boiler Plant (including expansion)	Tiruchi	—	—	19.9	19.9	4.0	23.9
	Raw Film Project	Ooty	—	—	7.8	7.8	3.3	11.1
	Madras Fertiliser	Madras	—	—	—	—	7.0	7.0
	Madras Refinery	Madras	—	—	0.5	0.5	28.5	29.0
		Total	**5.8**	**33.4**	**141.4**	**180.6**	**65.2**	**245.8**
Mysore	Hindustan Machine Tools (including Watch Factory)	Bangalore	4.2	1.8	4.1	10.1	3.5	13.6
	Indian Telephone Industry	Bangalore	2.9	1.5	3.6	8.0	**	8.0
	Mysore Iron & Steel Works (Conversion to Alloy Steel)	Bhadravati	—	—	9.5	9.5	15.3	24.8
	Kurkunta Cement Project (of Cement Corporation of India)	Kurkunta	—	—	—	—	2.0	2.0
		Total	**7.1**	**3.3**	**17.2**	**27.6**	**20.8**	**48.4**
Orissa	Rourkela Steel Plant 1st stage expansion of Rourkela Steel Plant	Rourkela	6.5	193.8	19.8	220.1	12.0	232.1
		Rourkela	—	—	119.9	119.9	42.6	162.5
	Rourkela Fertiliser Plant (including Naptha steam reforming Unit)	Rourkela	—	5.5	15.0	20.5	3.0	23.5
		Total	**6.5**	**199.3**	**154.7**	**360.5**	**57.6**	**418.1**

1	2	3	4	5	6	7	8	9
Punjab	Nangal Fertilisers	Nangal	—	28.0	4.2	32.2	—	32.2
		Total	**—**	**28.0**	**4.2**	**32.2**	**—**	**32.2**
Haryana	Machine Tools Plant	Pinjore	—	—	7.0	7.0	1.5	8.5
		Total	**—**	**—**	**7.0**	**7.0**	**1.5**	**8.5**
Rajasthan	Zinc Smelter	Udaipur	—	—	5.3	5.3	6.7	12.0
	Khetri Copper Project	Khetri	—	—	4.3	4.3	6.6	10.9
	Precision Instrument Factory	Kotah	—	—	2.6	2.6	3.8	6.4
	Machine Tools Plant	Ajmer	—	—	—	—	1.2	1.2
		Total	**—**	**—**	**12.2**	**12.2**	**18.3**	**30.5**
Uttar Pradesh	Diesel Loco Factory	Varanasi	—	—	17.0	17.0	2.8	19.8
	Antibiotics Factory	Rishikesh	—	—	15.1	15.1	6.9	22.0
	B.H.E.L.—Heavy Electrical Equipment Plant	Hardwar	—	—	20.6	20.6	50.0	70.6
	Gorakhpur Fertilisers	Gorakhpur	—	—	19.4	19.4	13.6	33.0
	Triveni Structural Ltd.	Allahabad	—	—	—	—	2.5	2.5
		Total	**—**	**—**	**72.1**	**72.1**	**75.8**	**147.9**
West Bengal	Durgapur Steel Plant	Durgapur	—	178.7	18.0	196.7	1.9	198.6
	1st stage expansion of Durgapur Steel Plant	Durgapur	—	—	50.0	50.0	19.7	69.7
	National Instruments (including Opthalmic Glass Project)	Calcutta	1.0	0.4	1.8	3.2	2.7	5.9
	Chittranjan Locomotives	Chittranjan	3.6	1.8	**	5.4	—	5.4
	Hindustan Cables (including expansion)	Rupnarainpur	1.3	0.8	3.3	5.4	1.9	7.3
	Mining and Allied Machinery Project	Durgapur	—	1.2	28.0	29.2	15.8	45.0

1	2	3	4	5	6	7	8	9
	Alloy Steel Plant	Durgapur	—	—	33.3	33.3	33.3	66.6
	Durgapur Fertilisers	Durgapur	—	—	0.6	0.6	9.1	9.7
		Total	**5.9**	**182.9**	**135.0**	**323.8**	**84.4**	**408.2**
Delhi	D.D.T. Factory	Delhi	0.5	—	—	0.5	—	0.5
	Expansion of D.D.T. Factory	Delhi	—	—	—	—	0.3	0.3
		Total	**0.5**	**—**	**—**	**0.5**	**0.3**	**0.8**

Note : *These are approximate estimates of fixed investment on Central projects in different States.
**Transferred to Transport Sector.
††These projects were earlier in the private/state sector; hence investment on these projects has not been shown for this period.
(I) Excluding investment on power unit.

Statewise Investment *on Major Ports

(Rs. in crores)

States	Port	First Plan	Second Plan	Third Plan	1966-68 (Estimated)	Total 1951-68
1	2	3	4	5	6	7
West Bengal	Calcutta including Haldia	3.49	7.50	26.67	21.91	59.57
Maharashtra	Bombay	10.92	1.39	12.94	13.72	38.97
Madras	(1) Madras	1.35	2.63	9.19	7.51	20.68
	(2) Tuticorin	—	—	5.07	2.93	8.00
Kerala	Cochin	0.59	1.77	1.88	2.34	6.58
Andhra Pradesh	(1) Vishakhapatnam	1.13	4.32	9.07	4.90	19.42
	(2) Investigation for second outlet for export of Iron ore from Bailadilla	—	—	—	0.15	0.15
Gujarat	Kandla	8.84	8.24	3.71	0.89	21.68
Goa	Mormugao	—	—	1.75	0.60	2.35
Orissa	Pardeep	—	—	5.20	4.30	9.50
Mysore	Mangalore	—	—	3.02	2.50	5.52
Total		**26.32**	**25.85**	**78.50**	**61.75**	**192.42**

*Including port's own resources.

Investment on Central Power Generation Schemes

(In crores of rupees)

	Scheme	Est. cost	Outlay during I Plan	Outlay during II Plan	Outlay during III Plan	Outlay in 1966-67 actual	Outlay in 1967-68 antici-pated	Outlay in 1968-69 Budget	Outlay Balance
1.	Neyveli Thermal Station								
	Stage I	25.20	—	11.40	13.93	(-) 0.10	—	—	
	Stage II	19.74	—	—	16.50	2.75	0.95	(-) 0.44	
	Stage III	32.85	—	—	1.40	9.09	16.12	5.10	1.14
	Total		—	11.40	31.83	11.72	17.07	4.66	1.14
2.	Atomic Power Station								
	(i) Tarapur	82.69	—	—	25.89	36.19	13.17	4.50	2.94
	(ii) Rajasthan	110.66	—	—	4.31	12.27	17.70	17.50	58.88
	(iii) Kalpakkam	104.00	—	—	0.08	0.23	0.94	4.00	98.75
	(iv) Preliminary on new project	—	—	—	—	0.27	0.17	0.14	—
	Total		—	—	30.28	48.96	31.98	26.14	160.57
3.	Badarpur Thermal Station	39.95*	—	—	—	0.29	2.48	4.49	32.69**
4.	D.V.C. Power Programme@	—	33.12	41.20	54.40	10.43	5.74	6.55	
	Grand Total		33.12	52.60	116.61	71.40	57.27	41.84	

*is likely to be revised to about Rs. 60.0 crores.

**is likely to be near about Rs. 52.0 crores.

@total outlay including shares of Centre, Bihar and West Bengal. Centre's share is one third.

ANNEXURE V

Assistance from Government financial institutions for industrial and agricultural Development in the States

Statement I gives the Statewise distribution of financial assistance sanctioned and disbursed by IDBI, SFCs and ARC. Statement II present Statewise distribution of financial assistance sanctioned and disbursed by IDBI while Statement III gives a breakdown according to industry. Statement IV present the net financial assistance sanctioned and disbursed by IFC. Statement V gives the net sanctions to the private sector (excluding the cooperative sector) and sector only. Statement VII shows the Statewise distribution of net financial assistance sanctioned by IFC according to broad categories. Statement VIII gives the Statewise distribution of loans actually drawn by Cooperatives from the Reserve Bank of India during 1963-67.

Statement I

Financial assistance sanctioned and disbursed by different Financial Institutions

(Rupees in crores)

State/Territory	IDBI Financial Assistance @ (Including refinance) 1964-67 (July-June)				State Financial Corporations Loans 1957-58 to 1966-67 (April-March)				Agricultural Refinance Corporation Financial Assistance 1963-67 (July-June)			
	Sanctions	%of Total	Disbursement	% of Total	Sanctions	% of Total	Disbursement	% of Total	Commitments	% of Total	Disbursement	% of Total
	1	2	3	4	5	6	7	8	9	10	11	12
Andhra Pradesh	14.69	9.01	11.58	9.51	10.48	7.70	7.60	7.61	10.55	25.10	5.21	74.64
Assam	0.12	0.07	0.12	0.10	6.17	4.53	5.01	5.37	1.12	2.66	0.20	2.87
Bihar	3.78	2.32	1.25	1.03	4.80	3.53	3.62	3.88	3.05	7.26	—	—
Kerala	0.83	0.51	0.86	0.71	4.62	3.40	3.04	3.27	1.03	2.45	—	—
Madhya Pradesh	3.33	2.04	3.28	2.69	10.02	7.36	5.69	6.09	0.93	2.21	—	—
Madras	24.36	14.95	18.05	14.82	20.22	14.85	16.13	17.28	8.62	20.52	0.71	10.17
Maharashtra	51.20	31.42	39.14	32.15	27.77	20.40	18.18	19.47	4.65	11.06	0.49	7.02
Gujarat	27.34	16.78	26.73	21.95					0.79	1.88	0.07	1.00
Mysore	4.98	3.06	1.65	1.36	5.61	4.12	4.25	4.55	8.13	19.34	0.30	4.30
Orissa	1.55	0.95	0.95	0.78	3.68	2.71	2.81	3.01	0.29	0.69	—	—
Punjab	1.28	0.79	0.93	0.76	16.18	11.89	9.86	10.56	—	—	—	—
Haryana	0.97	0.60	1.13	0.93					—	—	—	—
Rajasthan	1.94	1.19	0.34	0.28	6.03	4.43	4.05	4.34	0.24	0.57	—	—
Uttar Pradesh	6.88	4.22	1.17	0.96	7.07	5.19	4.44	4.76	—	—	—	—
West Bengal	17.33	10.64	11.95	9.81	12.10	8.89	8.21	8.79	2.60	6.19	—	—
Jammu and Kashmir	—	—	—	—	1.36	1.00	0.95	1.02	—	—	—	—
Union Territories	2.37	1.45	2.63	2.16	—	—	—	—	0.03	0.07	—	—
Total	162.95	100.00	121.75	100.00	136.12	100.00	93.35	100.00	42.03	100.00	6.98	100.00

@Excluding export credits.

Statement II

Statewise Distribution of Financial assistance sanctioned/Disbursed by IDBI during July 1964—June 1967

(Rs. in crores)

	Sanction						Disbur-sement	% of Total	Subscr-iptions to shares/ bonds of financial instituti-ons san-tioned/ disbursed	% of Total	Guara-ntees sanc-tioned	% of Total	Guara-ntees execu-ted	% of Total
	Refinance	Loan	Under writing	Redis-count	Total	% of Total								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Andhra Pradesh	4.57	9.30	0.82	—	14.69	9.01	11.58	9.51	0.43	8.21	5.98	20.78	—	—
Assam	0.12	—	—	—	0.12	0.07	0.12	0.10	0.43	8.21	—	—	—	—
Bihar	0.81	1.53	1.44	—	3.78	2.32	1.25	1.03	—	—	—	—	—	—
Gujarat	5.10	18.00	3.93	0.31	27.34	16.78	26.73	21.95	0.22	4.20	5.12	17.79	—	—
Haryana	0.77	—	0.20	—	0.97	0.60	1.13	0.93	—	—	—	—	—	—
Jammu and Kashmir	—	—	—	—	—	—	—	—	0.06	1.14	—	—	—	—
Kerala	0.29	0.50	0.04	—	0.83	0.51	0.86	0.71	0.35	6.68	—	—	—	—
Madhya Pradesh	2.59	—	0.49	0.25	3.33	2.04	3.28	2.69	1.02	19.47	—	—	—	—
Madras	14.51	6.30	1.73	1.82	24.36	14.95	18.05	14.82	0.78	14.88	—	—	—	—
Maharashtra	19.25	21.60	5.07	5.28	51.20	31.42	39.14	32.15	0.49	9.35	12.32	42.81	9.83	80.31
Mysore	2.55	2.17	0.26	—	4.98	3.06	1.65	1.36	0.24	4.58	—	—	—	—

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Orissa	0.60	0.60	0.35	—	1.55	0.95	0.95	0.78	0.37	7.06	—	—	—	—
Punjab	1.28	—	—	—	1.28	0.79	0.93	0.76	—	—	—	—	—	—
Rajasthan	0.64	1.25	0.05	—	1.94	1.19	0.34	0.28	0.24	4.58	2.41	8.37	2.41	19.69
Uttar Pradesh	1.79	4.72	0.37	—	6.88	4.22	1.17	0.96	0.18	3.43	2.95	10.25	—	—
West Bengal	6.75	7.46	1.35	1.77	17.33	10.64	11.95	9.81	0.43	8.21	—	—	—	—
Union Territories	1.12	1.25	—	—	2.37	1.45	2.63	2.16	—	—	—	—	—	—
Total	**62.73**	**74.69**	**16.10**	**9.43**	**162.95**	**100.00**	**121.75**	**100.00**	**5.24**	**100.00**	**28.78**	**100.00**	**12.24**	**100.00**

Statement III

Industry-wise distribution of Refinance and Direct Assistance (Loans, Under-writings and Rediscounts) sanctioned and disbursed by Industrial Development Bank of India during July 1964—June 1967.

(Rupees in crores)

Industries	Refinance	Loans	Under writings	Re-discount	Total	% of Total	Disbur-ment	% of Total
1	2	3	4	5	6	7	8	9
Basic Industrial Chemicals	1.27	14.09	4.56	—	19.92	12.12	13.12	10.67
Miscellaneous chemicals	4.57	1.50	—	—	6.07	3.69	4.52	3.67
Fertilisers	0.08	32.10	2.93	—	35.11	21.36	26.25	21.34
Cement	—	8.00	1.05	—	9.05	5.50	4.27	3.47
Iron and Steel	5.37	11.55	3.84	—	20.76	12.63	6.31	5.13
Textiles	22.75	1.09	0.50	—	24.34	14.80	25.01	20.33
Artificial fibres	2.12	—	—	—	2.12	1.29	1.60	1.30
Paper	1.42	2.30	1.30	—	5.02	3.05	3.73	3.03
Pottery	0.18	—	—	—	0.18	0.11	0.18	0.15
Non-ferrous Metals	0.53	0.50	—	—	1.03	0.63	1.05	0.85
Metal products	1.61	—	—	—	1.61	0.98	1.14	0.93
Machinery	6.42	1.46	1.19	9.43	18.50	11.25	14.50	11.79
Electrical Machinery	6.35	1.21	0.52	—	8.08	4.91	7.70	6.26
Transport equipment	1.95	—	—	—	1.95	1.19	2.37	1.93
Rubber	0.47	—	0.05	—	0.52	0.32	0.33	0.27
Coal/metal mining	1.22	—	—	—	1.22	0.74	2.63	2.14
Coal and petroleum products	0.01	—	—	—	0.01	0.01	0.30	0.24
Glass	0.80	—	—	—	0.80	0.49	0.62	0.50
Wood and cork (including furniture & fixtures)	0.27	—	—	—	0.27	0.16	0.55	0.45
Food manufacturing industries	3.08	0.54	—	—	3.62	2.20	2.69	2.19
Vegetable/animal oils and fats	0.04	—	—	—	0.04	0.02	0.11	0.09
Printing and publishing	0.45	—	—	—	0.45	0.27	0.44	0.36
Paints and Varnishes	0.64	—	—	—	0.64	0.39	0.64	0.52
Asbestos	0.24	—	—	—	0.24	0.15	0.19	0.15
Structural clay products	0.18	0.35	—	—	0.53	0.32	0.53	0.43
Hotels	0.40	—	—	—	0.40	0.24	0.38	0.31

1	2	3	4	5	6	7	8	9
Miscellaneous	0.31	—	0.16	—	0.47	0.29	0.59	0.48
Export credits	1.46	—	—	—	1.46	0.89	1.26	1.02
Grand Total	**64.19**	**74.69**	**16.10**	**9.43**	**164.41**	**100.00**	**123.01**	**100.00**
Percentage	39.04%	45.43%	9.79%	5.74%	100.00%			

Source : Annual Reports of IDBI.

Statement IV

Industry-wise and State-wise Distribution of Net Financial Assistance (Loans, Under-writings and Guarantees) sanctioned by Industrial Finance Corporation from 1st July 1948 to 30th June 1967 (after adjustment of cancellation/withdrawals).

(Including cooperatives)

(Rupees in crores)

Industries	Andhra	Assam	Bihar	Gujarat	Haryana	Kerala	Madhya pradesh	Madras	Maharashtra	Mysore
	1	2	3	4	5	6	7	8	9	10
Basic Industrial Chemicals	1.80	0.36	—	2.19	—	—	—	6.62	1.53	0.05
Misc. Chemicals	1.05	—	—	—	—	0.61	0.06	—	7.87	0.25
Fertilisers	9.86	—	—	2.20	—	3.06	—	—	—	—
Cement	0.40	0.95	3.39	1.47	—	—	3.29	5.71	—	0.03
Iron & Steel	—	—	1.30	—	—	—	—	1.50	2.63	—
Sugar	5.85	0.60	1.68	1.07	1.96	1.80	—	6.54	17.88	4.62
Textiles	1.84	0.26	0.93	3.42	1.58	0.43	2.64	2.08	1.83	2.35
Artificial fibres	—	—	—	2.93	—	0.25	0.25	—	1.90	—
Paper	1.29	—	5.30	1.23	—	0.45	—	—	1.33	5.94
Rubber	—	—	—	—	—	0.39	—	1.50	0.24	—
Glass	0.04	—	0.85	—	—	0.05	—	—	0.44	0.01
Pottery	—	—	1.68	—	0.62	—	—	0.03	0.06	0.03
Non-ferrous metals	—	—	—	—	—	3.05	—	12.63	0.77	—
Metal Products	0.10	—	0.91	0.84	2.07	—	0.90	3.61	6.38	—
Machinery	—	—	—	0.96	0.66	—	—	2.22	2.79	0.28
Electric Machinery and appliances	—	—	0.12	1.07	0.35	0.62	—	0.40	2.88	1.03
Motor vehicles/ancillaries	0.30	—	0.25	—	0.71	—	—	1.02	4.12	0.02
Petroleum and natural gas	—	3.50	—	—	—	—	—	—	—	—
Hotel	—	—	—	—	—	—	—	0.24	0.21	—
Miscellaneous	0.06	1.01	0.75	0.58	0.55	0.56	—	0.05	1.19	0.52
Total	**22.59**	**6.68**	**17.16**	**17.96**	**8.50**	**11.27**	**7.14**	**44.15**	**54.05**	**15.13**
Percentage	7.73	2.28	5.87	6.14	2.91	3.85	2.44	15.11	18.48	5.17

Statement IV (Contd.)

Industries	Orissa	Punjab	Rajasthan	U.P.	West Bengal	Delhi	Andaman & Nicobar Is.	Pondichery	Total	% of Total
	11	12	13	14	15	16	17	18	19	20
Basic Industrial Chemicals	0.30	—	—	2.01	1.74	—	—	—	16.60	5.68
Misc. Chemicals	—	—	—	0.52	1.93	—	—	—	12.29	4.20
Fertilisers	—	—	2.50	4.50	—	—	—	—	22.12	7.56
Cement	1.75	—	—	—	—	—	—	—	16.99	5.82
Iron & Steel	0.68	—	—	—	3.66	—	—	—	9.77	3.34
Sugar	0.85	2.25	—	4.50	—	—	—	—	49.60	16.96
Textiles	0.99	1.53	1.51	4.67	2.36	0.39	—	0.60	29.41	10.06
Artificial fibres	—	—	0.53	—	—	—	—	—	5.86	2.00
Paper	1.03	—	—	1.93	1.81	—	—	—	20.31	6.95
Rubber	—	—	—	—	4.42	—	—	—	6.55	2.24
Glass	—	—	—	0.21	1.20	—	—	—	2.80	0.96
Pottery	0.63	—	—	—	0.93	—	—	—	3.98	1.36
Non-ferrous metals	—	—	7.08	0.40	4.49	—	—	—	28.42	9.72
Metal Products	1.27	—	—	1.00	4.60	—	—	—	21.68	7.41
Machinery	—	—	—	0.40	5.19	—	—	—	12.50	4.27
Electric Machinery and appliances	—	0.55	2.01	—	0.66	0.08	—	—	9.77	3.34
Motor vehicles/ancillaries	—	1.17	—	0.84	—	—	—	—	8.43	2.88
Petroleum and natural gas	—	—	—	—	—	—	—	—	3.50	1.20
Hotel	—	—	—	0.35	—	2.16	—	—	2.96	1.02
Miscellaneous	—	—	—	0.56	2.93	—	0.11	—	8.87	3.03
Total	**7.50**	**5.50**	**13.63**	**21.89**	**35.92**	**2.63**	**0.11**	**0.60**	**292.41**	**100.00**
Percentage	2.56	1.88	4.66	7.49	12.28	0.90	0.04	0.20	100.00	

Statement V

Industry-wise and State-wise Distribution of Net Financial Assistance (Loans, Under-writings and Guarantees) sanctioned by I.F.C. to the private sector (excluding cooperative sector) from 1st July 1948 to 30th June 1967 (after adjustment of cancellations / withdrawals).

(Rupees in crores)

Industries	Andhra Pradesh	Assam	Bihar	Gujarat	Haryana	Kerala	Madhya pradesh	Madras	Maharashtra	Mysore
	1	2	3	4	5	6	7	8	9	10
Basic Industrial Chemicals	1.80	0.36	—	2.19	—	—	—	6.62	1.53	0.05
Misc. Chemicals	1.05	—	—	—	—	0.61	0.06	—	7.87	0.25
Fertilisers	9.86	—	—	2.20	—	3.06	—	—	—	—
Cement	0.40	0.95	3.39	1.47	—	—	3.29	5.71	—	0.03
Iron & Steel	—	—	1.30	—	—	—	—	1.50	2.63	—
Sugar	1.50	—	0.78	—	—	—	—	2.11	1.05	0.79
Textiles	1.84	0.26	0.68	3.42	1.58	0.43	2.64	2.08	0.93	2.35
Artificial fibres	—	—	—	2.93	—	0.25	0.25	—	1.90	—
Paper	1.29	—	5.30	1.23	—	0.45	—	—	1.33	5.94
Rubber	—	—	—	—	—	0.39	—	1.50	0.24	—
Glass	0.04	—	0.85	—	—	0.05	—	—	0.44	0.01
Pottery	—	—	1.68	—	0.62	—	—	0.03	0.06	0.03
Non-ferrous metals	—	—	—	—	—	3.05	—	12.63	0.77	—
Metal Products	0.10	—	0.91	0.84	2.07	—	0.90	3.61	6.38	—
Machinery	—	—	—	0.96	0.66	—	—	2.22	2.79	0.28
Electric Machinery and appliances	—	—	0.12	1.07	0.35	0.62	—	0.40	2.88	1.03
Motor vehicles/ancillaries	0.30	—	0.25	—	0.71	—	—	1.02	4.12	0.02
Petroleum and natural gas	—	3.50	—	—	—	—	—	—	—	—
Hotel	—	—	—	—	—	—	—	0.24	0.21	—
Miscellaneous	0.06	1.01	0.75	0.58	0.55	0.56	—	0.05	1.19	0.30
Total	**18.24**	**6.08**	**16.01**	**16.89**	**6.54**	**9.47**	**7.14**	**39.72**	**36.32**	**11.08**
Percentage	7.34	2.45	6.44	6.80	2.63	3.81	2.87	15.98	14.61	4.46

Statement V (Contd.)

(Rs. in crores)

Industries	Orissa	Punjab	Rajasthan	U.P.	West Bengal	Delhi	Andaman & Nicobar Is.	Pondichery	Total	% of Total
	11	12	13	14	15	16	17	18	19	20
Basic Industrial Chemicals	0.30	—	—	2.01	1.74	—	—	—	16.60	6.68
Misc. Chemicals	—	—	—	0.52	1.93	—	—	—	12.29	4.94
Fertilisers	—	—	2.50	4.50	—	—	—	—	22.12	8.90
Cement	1.75	—	—	—	—	—	—	—	16.99	6.84
Iron & Steel	0.68	—	—	—	3.66	—	—	—	9.77	3.93
Sugar	—	—	—	1.60	—	—	—	—	7.83	3.15
Textiles	0.68	1.53	1.51	4.27	2.36	0.39	—	0.60	27.55	11.08
Artificial fibres	—	—	0.53	—	—	—	—	—	5.86	2.36
Paper	1.03	—	—	1.93	1.81	—	—	—	20.31	8.17
Rubber	—	—	—	—	4.42	—	—	—	6.55	2.64
Glass	—	—	—	0.21	1.20	—	—	—	2.80	1.13
Pottery	0.63	—	—	—	0.93	—	—	—	3.98	1.60
Non-ferrous metals	—	—	7.08	0.40	4.49	—	—	—	28.42	11.13
Metal Products	1.27	—	—	1.00	4.60	—	—	—	21.68	8.72
Machinery	—	—	—	0.40	5.19	—	—	—	12.50	5.03
Electric Machinery and appliances	—	0.55	2.01	—	0.66	0.08	—	—	9.77	3.93
Motor vehicles/ancillaries	—	1.17	—	0.85	—	—	—	—	8.43	3.39
Petroleum and natural gas	—	—	—	—	—	—	—	—	3.50	1.41
Hotel	—	—	—	0.35	—	2.16	—	—	2.96	1.19
Miscellaneous	—	—	—	0.56	2.93	—	0.11	—	8.65	3.48
Total	**6.34**	**3.25**	**13.63**	**18.59**	**35.92**	**2.63**	**0.11**	**0.60**	**248.56**	**100.00**
Percentage	2.55	1.31	5.48	7.48	14.45	1.06	0.04	0.24	100.00%	

Statement VI

Industry-wise and State-wise distribution of financial assistance (net) sanctioned by IFC from 1st July, 1948 upto 30th June, 1967 to cooperative Sector

(Rs. in crores)

State	Sugar	Cotton spinning	Vegetable oil	Total	% of the total
1	2	3	4	5	6
Andhra Pradesh	4.35	—	—	4.35	9.92
Assam	0.60	—	—	0.60	1.37
Bihar	0.90	0.25	—	1.15	2.62
Gujarat	1.08	—	—	1.08	2.46
Haryana	1.96	—	—	1.96	4.47
Kerala	1.80	—	—	1.80	4.10
Madras	4.43	—	—	4.43	10.10
Maharashtra	16.83	0.90	—	17.73	40.43
Mysore	3.83	—	0.22	4.05	9.23
Orissa	0.85	0.31	—	1.16	2.65
Punjab	2.25	—	—	2.25	5.13
Uttar Pradesh	2.90	0.40	—	3.30	7.52
Total	**41.78**	**1.86**	**0.22**	**43.86**	**100.00**

Statement VII

State-wise Distribution of Net Financial Assistance (Loans, Underwritings and guarantees sanctioned by Industrial Finance Corporation from 1st July, 1948 to 30th June, 1967 (After adjustment of cancellation/withdrawals).

Total (Net) Financial Assistance

(Rupees in crores)

State/Territory	All Industries	%of total	Loans	% of total	Under-writings	% of total	G.D.P.	% of total
	1	2	3	4	5	6	7	8
Andhra Pradesh	22.59	7.73	11.37	5.25	1.62	6.78	9.60	18.42
Assam	6.68	2.28	3.18	1.47	3.50	14.64	—	—
Bihar	17.16	5.87	12.73	5.88	0.93	3.89	3.50	6.71
Gujarat	17.96	6.14	15.56	7.19	1.49	6.23	0.91	1.75
Haryana	8.50	2.91	7.90	3.65	0.40	1.67	0.20	0.38
Kerala	11.27	3.85	9.33	4.31	0.19	0.79	1.75	3.36
Madhya Pradesh	7.14	2.44	4.71	2.18	2.02	8.45	0.41	0.79
Madras	44.15	15.11	27.94	12.91	3.73	15.60	12.48	23.94
Maharashtra	54.05	18.48	45.65	21.10	4.64	19.42	3.76	7.21
Mysore	15.13	5.17	12.12	5.62	0.68	2.84	2.32	4.45
Orissa	7.50	2.56	6.65	3.07	0.85	3.55	—	—
Punjab	5.50	1.88	5.40	2.50	—	—	0.10	0.19
Rajasthan	13.63	4.66	5.51	2.55	0.15	0.63	7.97	15.29
Uttar Pradesh	21.89	7.49	17.01	7.86	1.48	6.19	3.40	6.52
West Bengal	35.92	12.28	29.09	13.44	2.15	8.99	4.68	8.98
Delhi	2.63	0.90	1.58	0.73	0.08	0.33	0.97	1.86
A & N Islands	0.11	0.04	0.11	0.05	—	—	—	—
Pondicherry	0.60	0.20	0.52	0.24	—	—	0.08	0.15
Total	**292.41**	**100.00**	**216.37**	**100.00**	**23.91**	**100.00**	**52.13**	**100.00**

G.D.P.:—Guarantee for Deferred payment for Machinery and Foreign Loans.

Source—Annual Reports of IFC

Statement VIII

State-wise Distribution of Reserve Bank Loans drawn by Cooperatives and R.B.I. Investment in Debentures of Central Land Mortgage Banks 1963-67

(Rupees in crores)

Loans to State Cooperative Banks

State / Territory	Short-Term						Medium-Term			
	Seasonal agricultural operations and marketing of crops July 1963-June 1967	% of Total	Financing handloom weavers' societies April 1963-March 1967	% of Total	Distribution of fertilisers Jan. 1967-Dec. 1967	% of Total	NAC (Stabilisation) Fund loans (a) July 1965-June 1967	% of total	Agricultural purposes July 1963-June 1967	% of Total
	1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	59.77	5.43	5.49 (1.32)	16.63	9.12	32.38	0.63	5.67	2.27	7.28
Assam	—	—	—	—	—	—	—	—	—	—
Bihar	12.72	1.15	0.23	0.70	—	—	2.54	22.86	0.78	2.50
Gujarat	123.20	11.18	—	—	0.05	0.18	—		1.67	5.36
Haryana	4.33	0.39	—	—	1.84	6.66	—		0.60	1.92
Jammu and Kashmir	0.82	0.07	—	—	—	—	—		0.18	0.58
Kerala	15.42	1.40	2.05	6.21	—	—	—		2.30	7.38
Madhya Pradesh	59.92	5.44	0.51	1.54	2.70	9.76	4.43	39.87	4.52	14.50
Madras	138.54	12.57	21.66 (11.08)	65.60	—	—	—		3.91	12.54
Maharashtra	442.82	40.19	1.42	4.30	—	—	—		1.51	5.64
Mysore	47.21	4.29	0.76	2.30	—	—	1.26	11.34	0.73	2.34
Orissa	20.62	1.87	0.79	2.30	0.30	1.08	0.28	2.52	0.77	2.47
Punjab	40.31	3.66	0.04	0.12	9.25	33.45	—		5.05	16.20
Rajasthan	20.58	1.87	0.03	0.09	0.94	3.41	1.01	9.00	1.37	4.39
Uttar Pradesh	92.53	8.40	—	—	3.45	12.48	0.96	8.64	5.24	16.00
West Bengal	20.57	1.07	0.01	0.03	—		—		0.13	0.42
Union Territories	2.39	0.22	0.03	0.09	—				0.15	0.48
Total	**101.75**	**100.00**	**33.02**	**100.00**	**27.65**	**100.00**	**11.11**	**100.00**	**31.18**	**100.00**

Note : Figures within brackets show loans for trading in yarn by handloom weavers' societies.
(a) National Agricultural Credit (Stabilisation) Fund.

Statement VIII (Contd.)

(Rs. in crores)

State / Territory	Long-Term		Investment in Debentures of Central Land Mortgage Banks			
	Loans to State Govts. for contri-bution to share capital of credit cooperatives April 1963-March 1969	% of Total	Ordinary debentures	% of Total	Rural debentures	% of Total
			(July 1963-June 1967)			
	11	12	13	14	15	16
Andhra Pradesh	0.83	6.74	2.47	14.25	0.51	10.71
Assam	—	—	—	—	—	—
Bihar	0.15	1.22	—	—	—	—
Gujarat	0.14	1.14	2.92	16.85	1.83	38.45
Haryana	0.13	1.06	0.07	0.40	—	—
Jammu and Kashmir	—	—	0.04	0.23	—	—
Kerala	0.63	5.12	0.44	2.54	0.01	0.21
Madhya Pradesh	2.07	16.82	0.58	3.35	0.06	1.26
Madras	1.29	10.48	1.63	9.41	0.33	6.93
Maharashtra	2.48	20.15	5.18	29.89	1.54	32.35
Mysore	—	7.31	1.58	9.12	0.21	4.41
Orissa	0.60	4.87	0.39	2.25	0.02	10.42
Punjab	0.60	4.87	0.63	3.63	0.21	4.42
Rajasthan	0.67	5.44	0.19	1.10	—	—
Uttar Pradesh	1.42	11.53	0.97	5.60	0.04	0.84
West Bengal	0.40	3.25	0.22	1.27	—	—
Union Territories		—	0.02	0.11	—	—
Total	**12.31**	**100.00**	**17.33**	**100.00**	**4.76**	**100.00**

ITEM III — PATTERNS OF CENTRAL ASSISTANCE

A separate paper has been placed before the National Development Council seeking its views on the principles which should govern the quantum of Central assistance to be given to the States. It will be observed from the paper that until the end of the First Five Year Plan, a system of giving assistance to States for various schemes formulated by the different Ministries, was in vouge irrespective of whether or not those schemes were included in the States' Plans. It has also been mentioned in that paper that all such development schemes which were not incorporated in the States' First Five Year Plan were transferred to the State sector with the commencement of the Second Five Year Plan. Different conditions were attached to the schemes controlled by different Ministries; the patterns which applied to the schemes under various sectors were adopted by the Planning Commission without any change for channelising Central assistance to the States during the Second Five Year Plan. A number of varying conditions were attached to individual schemes which rendered the operation of the patterns rather difficult. In all, there were 185 State Plan schemes, carrying different patterns. The largest number was under Agricultural programmes (100) followed by General and Technical Education (23), Cooperation (20), Industry (18), Health (15) and so on. The States found it extremely difficult to make an estimation of assistance under the loans and grants for their schemes based on these patterns and the settlement of accounts and adjustments in the Central assistance became a very cumbersome process.

2. The position was, therefore, reviewed at the end of the Second Five Year Plan with a view to rationalising and reducing the patterns in consultation with the State Governments and Central Ministries. The number of schemes to which patterns were applicable, was reduced to 150. The operation of patterns was simplified by taking a scheme as a whole for the grant of Central assistance rather than the different components of the individual schemes as well as the practice till the end of the Second Plan period.

3. The Central assistance for the Third Plan in respect of each State was pre-determined and indicated to the States. The actual entitlement of loan and grants for particular sectors, however, was worked out according to the patterns prescribed. In case of certain States, the total assistance indicated for the Annual Plan was higher than the amounts worked out on the basis of schematic patterns of assistance. In order to give to such States the agreed quantum of assistance, the difference between the total promised assistance and the assistance to which they were entitled on the basis of schematic patterns was made up through Miscellaneous Development Loan Assistance.

4. During the discussions on the draft Fourth Five Year Plan of States in 1966, a number of States represented that the patterns of assistance were still cumbersome and involved considerable administrative work and delays. The position was, therefore, reviewed once again and the Planning Commission after consulting the Central Ministries and State Governments, placed the matter before the National Development Council in August, 1966. The National Development Council appointed a sub-committee to examine the question in greater detail. The patterns approved by the sub-committee were adopted by the Planning Commission and communicated to the States in January, 1967. The patterns which are now in vogue, are smaller in number and simpler in

operation. The Central assistance according to these patterns, generally relates to the heads and sub-heads of development or groups of schemes, the only exception being a few schemes under the Education and Health sector. The system of earmarking Central assistance for certain important heads of development or schemes under Agriculture and selected Irrigation & Power projects, introduced during the Third Plan period was continued along with the new patterns.

5. Notwithstanding the simplification and rationalisation introduced from 1967-68, a few State Governments continued to press the view that there should be still greater flexibility in this regard. A modified scheme of channelling aid was suggested to the States in July, 1967. This scheme envisaged provision of earmarked assistance for certain key programmes and projects in the State Plans and a fixed percentage of grants under Social Services and special development programmes for hill areas, border areas and backward areas. The rest of the programmes in the State Plan, it was envisaged could be financed by the States from their own resources. The main objective of this Scheme was to reduce the patterns to the minimum in order to give greater flexibility to States in Plan formulation and implementation and to encourage them to mobilise additional resources to finance the Plans under other sectors.

Most of the States did not consider the new scheme as an improvement over the existing arrangement. In view of the mixed reactions of the States, it was decided that the existing patterns might be continued upto the end of 1968-69 and the whole question be re-examined at the time of the formulation of the new Fourth Five Year Plan.

6. The State Governments and the Central Ministries were accordingly requested to indicate their views on the subject. A summary of the views expressed by the States is given in Annexure I.

Most of the Central Ministries have also sent their comments (Annexure II). The salient points emerging from the views expressed by the States and Central Ministries are mentioned below :-

STATES

(i) States of Andhra Pradesh, Punjab and Rajasthan support the modified scheme of channelling aid to States described in para 5 above. West Bengal State does not favour the introduction of this scheme.

(ii) Governments of Maharashtra and Uttar Pradesh are in favour of the existing patterns provided no earmarking of assistance is done for any scheme and full freedom is given to States to divert outlays from one head of development to another. Government of Uttar Pradesh have, however, stated that diversions under Agricultural Production, Minor Irrigation, Soil Conservation, Irrigation (excluding Flood Control) and Power should be allowed after consultation with the Planning Commission.

(iii) Haryana would prefer full freedom in the utilisation of agreed assistance; alternatively assistance may be tied only to a few major heads of development with permission for diversion among such heads.

(iv) Bihar has suggested that loans and grants may be related to heads of development, with the possibility of diversion of the assistance from one priority head to another without reference to the Planning Commission.

(v) Andhra Pradesh would like loans to be given only for productive schemes and grants for the rest. Even for Irrigation & Power projects on which pattern would not be adequate to service the loans, an element of grant has been suggested.

(vi) The suggestions of Kerala are more or less on the lines of the recommendations of the Administrative Reforms Commission.

(vii) While the Government of Maharashtra is not in favour of pre-determined loan and grant component of the Plan assistance, a few States have suggested a pre-determined percentage of total Central assistance to be given in the form of grant e.g. West Bengal, Madhya Pradesh.

(viii) The idea of miscellaneous development grant has been put forward by Madhya Pradesh, Rajasthan and Uttar Pradesh.

(ix) The Government of Madras has suggested a system of block loans and block grants, the grant element being related to the revenue component of the Plan expenditure.

(x) The Government of West Bengal has proposed that the Central assistance fixed for the five year period should not be curtailed due to shortfall in Plan expenditure in any particular year.

CENTRAL MINISTRIES

Ministry of Education has recommended the abolition of scheme-wise patterns for State Plan schemes in view of their limited operational significance. Many Ministries have suggested changes in the proportion of loans and grants related to individual schemes. Some Ministries have also suggested addition to the list of Centrally aided schemes with new patterns. (Annexure II, col. 2).

7. The Administrative Reforms Commission's report also deals with the patterns of assistance to States for their development plans. In Part III of their report on the Machinery for Planning (page 61), they have recommended :

(i) 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.

(ii) 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.

(iii) The grants tied to schemes or groups of schemes of basic national importance will not be available for re-appropriation. Grants originally allocated to untied schemes or groups of schemes, may, however, be reappropriated to other schemes qualifying for Central assistance.

(iv) 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.

(v) Miscellaneous development loan should be abolished after the introduction of the scheme of Central assistance in the manner prescribed above.

8. The A.R.C. does not favour the principle of matching grant. The procedure and mechanism of estimating Central assistance under loans and grants to each State recommended by the A.R.C., suggests a radical change in the existing practice. They have also recommended the abolition of Miscellaneous development loan and suggested introduction of Miscellaneous development grants instead.

CENTRALLY SPONSORED SCHEMES

9. As mentioned earlier, a number of development schemes were being executed by the States outside their plans. At the end of the First Five Year Plan, when a large number of such schemes were transferred to the State sector, a new classification of Centrally sponsored schemes was introduced to cover the remaining schemes. Later some more schemes were also added to this category with varying patterns of assistance attached to them. At the end of the Third Five Year Plan, there were as many as 92 Centrally sponsored schemes, of which 35 were under Agriculture (including cooperation), 16 under General Education and the rest under other heads of development. For most of these schemes, the prescribed patterns were rather complicated, in that, for a number of Such schemes the staffing patterns, scales of pay and designs of buildings, equipment, etc., were laid down which were often at variance with those prevalent in the States. The sub-committee of the N.D.C., referred to earlier, also considered this matter. The committee were of the view that the number of Centrally sponsored schemes should be reduced to the minimum. The committee approved of the following criteria for the classification of Plan schemes as centrally sponsored :

"(i) A limited number of important schemes to be implemented as matters of national policy-such as Family Planning, Resettlement of landless agricultural workers;

(ii) Schemes such as those for specialised research and training which would benefit more than one State or might be of all-India significance;

(iii) Pilot projects for research and development;

(iv) New schemes introduced after the Plan has been finalised."

In the light of this decision, the Planning Commission held further discussions with the Central Ministries and finalised the list of Centrally sponsored schemes which was communicated to the States in January, 1967. It may be noted that 36 schemes originally classified as Centrally sponsored in the Draft Outline of the Fourth Five Year Plan were transferred to the State sector vide Schedule II of the letter of January 25, 1967. The number of Centrally sponsored scheme now stands at 90, as against 147 included in the Draft Fourth Five Year Plan. At present, 60 Centrally sponsored schemes are eligible for 100% assistance, 12 schemes for 75%, 3 schemes for 60 % and 15 schemes for 50% assistance outside the State Plans.

10. The views of the State Governments and the Central Ministries in this regard are indicated below.

STATES

Many States have suggested that the number of Centrally sponsored schemes should be considerably reduced and those that might continue, be financed with 100 per cent assistance. There should be flexibility in regard to pay-scales, staffing pattern, design of buildings, etc. Kerala has suggested complete abolition of this category of schemes. Government of Uttar Pradesh has suggested the fixation of the five year outlay for these schemes for individual States, annual plan allocation being indicated at the time of the Annual Plan discussion.

CENTRAL MINISTRIES

(i) All the Ministries have suggested the continuation of the existing Centrally sponsored schemes. The Department of Labour & Employment has, however, recommended that the Centrally sponsored schemes of that Department should be transferred to the State sector.

(ii) Ministries of Food & Agriculture, Health and Works, Housing & Urban Development have suggested an addition of 15 new schemes to the existing list (Annexure II). Six schemes, one under Tourism (Part II) and 5 under Housing & Urban Development, which were earlier agreed to be transferred to State Plan, have now been proposed to be classified as Centrally sponsored.

(iii) Ministry of Health has proposed that 8 schemes relating to the control of Communicable Diseases and primary health centres, which were earlier classified as Centrally aided, be now transferred to the Centrally sponsored sector.

(iv) The Ministry of Education have suggested recasting of the Centrally sponsored schemes in their sector.

(v) The views of the Ministry of Home Affairs are almost the same as those of State Governments in the matter of classification of Centrally sponsored schemes, manner of financing them, the flexibility to the States in regard to staffing patterns, pay scales and design of buildings etc. in respect of those schemes.

11. The Administrative Reforms Commission has made the following recommendations regarding Centrally sponsored schemes.

(i) The number of Centrally sponsored schemes should be kept to the minimum;

(ii) The selection of the schemes should be made strictly on the basis of the following criteria:

(a) they should relate to demonstrations, pilot projects, surveys and research;

(b) they should have a regional or inter-State character;

(c) they should require lump sum provisions to be made until they could be broken down territorially and

(d) they should have an overall significance from the all-India angle.

ISSUES FOR CONSIDERATION

12. In the light of observations and suggestions made by the State Governments and the Central Ministries, as also the recommendations made by the A.R.C., the National Development Council is requested to express its views on the following :

A. Patterns of assistance for State Plan Schemes

(i) Should the existing pattern of assistance by heads of development be abandoned and the total assistance provided through lump loans and grants? If so, what should be the principles which should govern the determination of these components ?

Alternatively, should the assistance be related only to a few important heads of development and selected projects of high priority, lump-sum assistance being given to the remaining ?

(ii) Should the assistance be earmarked for a few programmes and projects of high priority under the State Plan and if so, what should be the criteria for their selection?

(iii) Should the principle of matching contribution be abolished altogether for (a) Centrally aided schemes, and (b) Centrally sponsored schemes ?

(iv) Should the practice of the Miscellaneous development loan be abolished ?

(v) Should loans be provided for productive schemes only as suggested by some States ? If so, what should be the test of productivity ?

(vi) Making adequate provision from year to year for important projects having long gestation periods has been rendered difficult over the last few years. Should there be any special arrangement for ensuring continuous flow of funds for maintaining uninterrupted progress of such projects.

(vii) Should the grant portion of the assistance be pre-determined? Should the weaker States be given any weightage in this regard ?

(viii) Should there be Miscellaneous development grants?

B. Centrally Sponsored Schemes

(i) Should there be Centrally sponsored schemes at all ? If so, what should be the criteria for selection of schemes for inclusion in this category?

(ii) Should all the Centrally sponsored schemes carry 100% assistance ? Or the State Governments should be asked to provide a matching share in respect of some schemes ?

(iii) Should the outlays on the Centrally sponsored schemes be pre-determined for the individual States for the Plan period as a whole ?

(iv) It is often felt that conditions attached to Centrally sponsored schemes are too rigid. What kind of conditions should be attached to such schemes as regards (a) staffing patterns (b) scales, standard and design of buildings (c) provision of equipment and (d) supervision and inspection ?

Annexure I

Analysis of points raised in replies from States to Planning Commission letter of March 8, 1968 regarding patterns of Central assistance to States and classification of Plan schemes for the New Fourth Five Year Plan.

States	Centrally aided schemes	Centrally sponsored schemes
1. Andhra Pradesh	(1) Loans to be given for productive schemes only for all other schemes grants to be given. (2) Repayment of loan for irrigation and power projects to start only after the projects start giving benefits. (3) Loan assistance for large selected projects should be released according to phasing of the construction. (4) Selection of irrigation and power projects be based on maximum return for the given investment throughout the country. (5) Central assistance should be limited to a few sectors of national importance i.e. agricutlure, irrigation, power and social services, say, education. (6) Under social services outright grants should be given depending on the level of development in these sectors.	(1) No centrally sponsored schemes need be taken up in sectors within the purview of State Plan or jurisdiction of States—only exception being—(i) schemes of regional character and (ii) of utmost national importance like Family Planning, development of chronically drought affected areas, etc. (2) All centrally sponsored schemes to be on 100% basis.
2. Bihar	(1) Certain degree of flexibility and initiative should be ensured for the State Government. (2) Loans and grants should be given by heads of development. (3) State Govt. should be able to divert funds from one priority head to another without prior approval of Planning Commission but diversion from priority head to non-priority head should be with the prior approval of the Commission. (Further communication promised in regard to patterns of assistance).	(1) All centrally sponsored schemes should be on 100% basis. (2) Centre's share on account of Centrally sponsored schemes to be transferred to State sector should be outside the State Plan assistance.
3. Assam	(1) In addition to loan for Miscellaneous Development Schemes, there should be a miscellaneous development grant to enable financing of unproductive schemes. (2) For two Centrally Sponsored schemes, i.e. (i) Panchayati Raj Training Centres (ii) Panchayat Secretaries Training etc. the pattern should be for schemes as a whole and not for recurring and non-recurring components as at present. (3) *Centrally aided Schemes* A grant component should be allowd for Flood Control works and Rural Electrification schemes.	The present procedure of making available Central assistance for certain Centrally sponsored schemes transferred to State sector as additional to the State Plan assistance may continue.

States		Centrally aided schemes	Centrally sponsored schemes
		(4) A liberalised pattern of assistance may be evolved for Hill areas of Assam.	
4.	Gujarat	(1) The pattern of assistance should be related to sector or sub-sector of development. (2) 70% of the total assistance to States should be ear-marked for such vital sectors as agricultural production, minor irrigation, soil conservation, fisheries, rural electrification and selected irrigation and power projects. (3) Balance of 30% should be ear-marked for other sectors of development. (4) 10% to 15% diversion should be allowed from 70% category to the 30% category programmes. (5) Re-appropriation from 30% category to 70% category should be allowed to the extent necessary.	(1) Number of such schemes should be restricted to the minimum. These should be (i) schemes of national importance—family planning, control of communicable diseases, development of chronically drought affected areas, roads of inter-State and economic importance, development of border areas, tribal development blocks, etc. (ii) big multi-purpose river valley projects likely to benefit two or three States, (iii) scheme of research of national importance.
5.	Haryana	(1) State Govt. should be free to utilise the full quantum of Central assistance according to their need and resources. (2) Central assistance be tied only to a few major heads and diversion of funds among these major heads be freely allowed.	Centrally sponsored schemes should be transferred to the State sector along with the related resources.
6.	Kerala	(1) The amount to be given in the form of loan may be first determined (State's comments on loan schemes to be communicated later). (2) After allowing for the loan assistance the balance should be treated as grant assistance. (3) A portion of loan and grant assistance may be tied to schemes of basic national importance and specific irrigation and power projects, the number of such schemes being kept to the minimum. (4) The balance be distributed *pro rata* over other heads of development. (5) In both loan and grants re-appropriation from one head to another should be allowed.	(1) The Centrally sponsored category may be completely given up because it involves considerable delay in the implementation of schemes and rigidity in the structure of schemes. or (2) Number of schemes be drastically reduced and confined to schemes of basic national importance.

States	Centrally aided schemes	Centrally sponsored schemes
8. Madhya Pradesh	(1) 30% of the total central assistance should be in the form of grant and the balance in the form of loan. (2) Some portion of assistance should also be given as a grant for miscellaneous development purposes.	(1) Only schemes of regional or inter-State character or of over-riding national importance should be sponsored by the Centre. (2) Schemes for which special assistance is provided for specific purposes should also be Centrally sponsored. (3) Pattern of assistance for Centrally sponsored schemes should be 100%.
9. Madras	The present patterns of assistance should be replaced by a system under which Block loans and grants are given. Out of the assistance so fixed, the grant element should be related to the revenue component of Plan expenditure.	(1) Centrally sponsored schemes should be confined to a few schemes of high priority such as (i) Family Planning (ii) Schemes of Inter-State importance such as Inland Water Ways or inter-State roads. (2) Drastic curtailment of the present list of Centrally sponsored schemes has been advocated.
10. Maharashtra	(1) Present pattern of assistance should continue. (2) The following procedure is *not* acceptable. (a) Ratio of loan and grant being fixed in advance without reference to content of each State Plan. (b) Central assistance being tied to cerain key programmes and projects.	(1) Centrally sponsored schemes should be limited; (a) Schemes of national importance. (b) Schemes likely to benefit a number of States (c) a few pilot projects for research & development. (d) schemes requiring high standards in training studies and research for which Centre has a special responsibility. (e) new schemes taken up after the Plan is finalised. (2) Outlays and Central assistance for Centrally Sponsored Schemes for the five years and the Annual Plans should be decided in advance. (3) States should be allowed flexibility in matters of staff, equipment, buildings etc.
11. Nagaland		
12. Orissa	(1) The practice of prescribing specific patterns of assistance for various schemes may be avoided.	(1) All centrally sponsored schemes should carry 100 percent assistance in the form of grants.

States	Centrally aided schemes	Centrally sponsored schemes
13. Punjab	(1) Central assistance—Loan and grants—may be for the State Plan as a whole only exception being inter-State multi-purpose projects. or Central assistance be restricted to key sectors—Agriculture, irrigation and power on 100% basis and (ii) balance made available to States for Social Services on matching basis. (2) Shri Kamath's approach is fully acceptable.	(1) Centrally sponsored schemes should be reduced further. (2) Only schemes of national and regional importance should be in the centrally sponsored sector. (3) Pattern of assistance for all such schemes should be 100%. (4) States be given flexibility in pay scales, design of buildings, etc.
14. Rajasthan	(1) Fully support Shri Kamath's new approach. (2) In addition to the miscellaneous development loan, there should also be a Miscellaneous Development Grant to cover adequately the revenue components of the Plans after taking into account grant assistance on patterns plus the State's revenue surplus.	(1) Only schemes of national importance. (2) Further reduction in the number of Centrally sponsored schemes desirable. (3) Central assistance should not be ear-marked for transferred schemes. (4) All schemes should be on 100% basis.
15. Uttar Pradesh	(1) The existing patterns should continue. (2) There should be no earmarking of Central assistance. (3) Diversion of funds from one head of development to another should be left entirely at the discretion of the State Govt. except in respect of (a) Agricultural production. (b) Minor Irrigation (c) Soil Conservation (d) Irrigation (Excluding Flood Control) (e) Power which may require approval of the Planning Commission. (4) Any approved diversion should be treated as an addition in outlay and Central assistance calculated against the entire expenditure incurred.	(1) Schemes of national importance, inter-State schemes and schemes which cannot be taken up by the state. (2) Five yearly outlay should be fixed for each state. (3) Annual allocation be indicated at Annual Plan discussions. (4) Flexibility in respect of staffing patterns.
16. West Bengal	(1) For Centrally aided schemes neither the pattern of assistance as communicated vide P.C. letter of January 25, 1967, nor the alternative approach of Shri G.R. Kamath is acceptable to the State Government. (2) A fixed proportion of Central assistance (same for all States) should be given as grant.	(1) State Government agrees to the classification of Plan schemes as in Planning Commission letter of January 25, 1967. (2) Centrally sponsored schemes should carry 100% pattern of assistance.

States	Centrally aided schemes	Centrally sponsored schemes
	(3) Shortfalls in expenditure in a particular year should not reduce entitlement of Central assistance on a year to year basis. Central assistance account should be settled on the five year basis. If the expenditure on the five year Plan is not less than the total Plan outlay for the Five Year Plan, the State Government should be allowed to avail of the full assistance for the Plan.	
17. Mysore		The following three criteria for selection of Centrally sponsored schemes to be followed. (i) Schemes of national importance. (ii) Schemes relating to research. (iii) Schemes benefiting more than one State. (iv) Big Irrigation Projects might be included in the Centrally sponsored sector. (v) The Centrally sponsored scheme should carry a 100% assistance.
18. Bihar	(1) Loans should be sanctioned only for financing projects such as "Transport, Power generation, irrigation schemes etc." which could work commercially so as to yield adequate returns for the servicing of the loans including repayment of the principal. (2) In all other cases, Central assistance should be given in the shape of grants. (3) All past loans given to the State Governments should be reviewed and the loans, sanctioned for purpose other than enumerated above should be written off.	(1) 100% grant assistance should be given for the following Centrally sponsored schemes of national importance :— (i) Survey and invetigation of ground water resources. (ii) Research and training in irrigation and water use. (iii) Scheme of agricultural development in chronically drought affected areas. (iv) Package programmes for foreign exchange earning commercial crops. (v) Soil conservation schemes in the Kosi and Gandak Project areas. (vi) Schemes for training and research in Soil Conservation. (2) Major irrigation projects of special importance like Gandak project should be classified as Centrally sponsored scheme. (3) Centre should give 75% assistance for schemes connected with sugarcane development.

States	Centrally aided schemes	Centrally sponsored schemes
		(4) Central Govenrment should bear 100% cost of roads constructed for earning foreign exchange like the roads in the mineral belt in Chotanagpur and other projects like. (i) Dehri-Amfore road; and (ii) Improvement of Haludpokhar-Swaspur-Musabani-Jadugoda road. (5) Special assistance should also be given for strategic projects like bridge over Ganga at Patna.

Annexure II

Analysis of points raised in the replies received from the Ministries to the Planning Commission's letter of March 12, 1968 regarding PATTERNS OF CENTRAL ASSISTANCE AND CLASSIFICATION OF PLAN SCHEMES for the new Fourth Five Year Plan.

Name of the Ministry	Centrally aided schemes	Centrally sponsored schemes
Deptt. of Agriculture	(i) Plant Protection Pattern of assistance should be changed from 50% grant to 30% loan and 20% grant. (ii) *Fisheries.* A new scheme for intesive fishery development programme is suggested. Pattern of assistance : 25% loan and 50% grant. (iii) *Minor irrigation* Higher grant than the existing 15% is desirable.	The following new Centrally sponsored schemes have been suggested. (a) Special minor irrigation schemes for areas with deficient irrigation. (b) Schemes for sharing subsidy on failed wells/ boring/deepenings. (c) Mechanisation of fishing boats. (d) Schemes for approach roads and protected watersupply in fishing areas. (e) Mechanical compost plant. (f) Schemes for timely reporting of agricultural statistics. (g) Scheme involving exports but affecting a few States.
Deptt. of Cooperation		New schemes together with the pattern of assistance to be proposed later.
Department of C.D.		The C.D. programme may be treated as Centrally sponsored scheme so as to ensure expenditure according to schematic C.D. Budget.
Ministry of Industrial Development	Discriminatory pattern of assistance has been suggested for small industries and industrial estates in favour of the States where these programmes have made slow progress, Assam, Gujarat, Haryana, Jammu & Kashmir, Kerala, Madhya Pradesh, Maharashtra, Mysore, Orissa, Rajasthan and Nagaland. Central assistance for small scale industries and industrial estates should be earmarked in the State Plan.	

Name of the Ministry	Centrally aided schemes	Centrally sponsored schemes
Ministry of Works, Housing and Supply	Earmarking of Central assistance for all housing schemes is proposed.	The following schemes agreed to be transferred to State Plan are proposed to be retained as centrally sponsored schemes :— (i) Slum clearance scheme. (ii) Housing statistics. (iii) Town planning including preparation of Master Plans. (iv) Urban development-implementation of vital aspects of development plans. (v) Land acquisition. *New Schemes* (i) Establishment of Cellular Concrete Factories.
Ministry of Health	*Liberalisation of pattern of assistance Centrally sponsored schemes indigenous system of medicines.* (a) Post graduate education, training and research from 90% to 100%. (b) Buildings for teaching hospital (new) 90% (c) Opening of new I.S.M. dispensaries, etc. 75% (transferred from centrally aided). *Centrally aided schemes* The grant component of the rural water supply schemes in tribal areas is proposed to be changed from 50% to 100%. *Family Planning* (i) Liberalisation of the pattern of assistance from 90% grant to 100% grant is suggested for training of A.N.Ms. and lady health visitors. (ii) Central assistance under family planning programmes be given for 10 years and no plan expenditure should become committed after the Fourth Five Year Plan.	*Re-classification of schemes—transfer from centrally aided to centrally sponsored.* (i) Malaria eradication programmes, additional cost of staff over the control programme. 60% (ii) National Filaria control programme 60% (iii) Prevention of T.B. including buildings, wherever necessary 60% (iv) Leprosy control and control of V.D. 60% (v) Rabies and others 60% (vi) Cholera control programme 75% (vii) Primary health centres, staff equipment, drugs, etc. and basic health services. 50% (viii) Building component of P.H. Centres 90% *New Centrally sponsored schemes* (i) Health insurance 90% (ii) Health organisations 50% (iii) Students health 50% (iv) Regional Public Health Laboratories 75% (v) Nutrition 50%

Name of the Ministry	Centrally aided schemes	Centrally sponsored schemes
		Local bodies schemes (i) Urban community development schemes 50% (ii) Training of municipal employees 100% *Centrally aided schemes (New) Training of para-medical personnel.* (i) Health Inspectors/Assistants 90%grant (ii) Opticians/Refractionists 90%grant (iii) B.Sc. (Physician) 90%grant (iv) X-Ray Engineers 90%grant (v) Dental Hygienists 90%grant
Ministry of Education	(1) No specific pattern to Central assistance for Centrally aided schemes as well as Centrally sponsored have been indicated. (2) *For Centrally aided schemes :* The Ministry have suggested that patterns of assistance need not be tied to schemes but one pattern be attached to the entire head of development.	(a) *Centrally sponsored schemes :* To be divided into two categories— *Group A :* Schemes of national importance requiring simultaneous and coordinated action by all State Governments. (b) *Group B :* To include schemes of the following type :— (i) Free and effective primary education. (ii) Liquidation of adult illiteracy. (iii) Improvement of teachers training. (iv) Development of science education. (v) Introduction of national surveys at all stages, specially University stage. (vi) Development of work experience. (vii) Reorganisation and strengthening of State Education Departments. (viii) Improvement of curricula text-books teaching methods, examination revision, etc. (ix) Improvement of girls education. (x) Other programmes of local priority to be approved by the Govt. of India.
Department of Social Welfare	*Centrally sponsored schemes :* Upward revision of the pattern of assistance from 50% to 75% grant for the following centrally sponsored schemes :— (i) Social defence (Care programmes) 6 schemes (ii) Schemes of social and moral hygiene.	New schemes possibly on 100% basis to be put up later when formulated.

Name of the Ministry	Centrally aided schemes	Centrally sponsored schemes
Ministry of Labour and Employment and Rehabilitation	(i) The system of attaching patterns of assistance to Plan schemes should be discontinued altogether. (ii) Re-appropriation should normally be permitted freely at the discretion of the States from one scheme to another and from one head of development to another. (iii) The States should be given block amounts as central grants with freedom to use these amounts according to their discretion, except for programmes of crucial importance. For programme of crucial importance the concept of tied assistance should be systematically introduced and rigorously implemented. (iv) The mechanism of miscellaneous development loan should be abolished altogether. (v) Evaluation to be mechanised and feed-back information furnished by States on urgent basis.	Centrally sponsored schemes under Labour & Employment may be transferred to State Sector and central assistance for State Plans may be increased correspondingly.
Ministery of Civil Aviation and Tourism		Tourism Part II schemes which were earlier agreed to be transferred to State Plan (Schedule II) of Planning Commission's Letter are proposed to be retained as centrally sponsored schemes with 50% Central assistance.
Ministry of Home Affairs	(1) Continuation of patterns by heads/sub-heads of development as indicated in Schedule III to Planning Commission's letter of Jan. 25, 1967 is favoured. In order to make the patterns operational and useful, the budget heads should be brought in line with the Plan heads. A special procedure should be devised to see that the release of Central assistance is related not only to the expenditure on head of development but to the physical targets envisaged in the annual plan discussions. (2) The assistance for schemes of national importance such as agricultural production, minor and specified major irrigation and power projects should be earmarked to ensure execution and completion of the schemes according to schedule. (3) It is necessary to improve the present system of reporting by the State Govt. information in respect of schemes of national importance. The reports from the State Govt. should be forwarded simultaneously to the administrative Ministries concerned	(1) Centrally sponsored schemes should be as few as possible and limited to schemes involving research, demonstration, pilot projects and surveys. (2) The projects taken up on pilot basis in one Plan as Centrally sponsored should be transferred to the State Plans in the next Plan. (3) State-wise allocation for Centrally sponsored schemes should be communicated to State Govts. after one month of the presentation of the Centre budget. (4) Centrally sponsored schemes as far as possible should be on 100% basis. (5) While the Centre should lay down guide lines for achieving of the objectives of the Centrally sponsored schemes they should not lay down rigid

Name of the Ministry	Centrally aided schemes	Centrally sponsored schemes
	and the Planning Commission. The data should be processed mechanically in the Planning Commission.	patterns as regards staff, their pay scales and designs of buildings to be constructed etc. State Governments should be given flexibility in these matters.
Ministry of Transport and Shipping	The following Centrally Sponsored Schemes *agreed to be transferred to State Sector earlier* may be retained as Centrally Sponsored Schemes (in the new Fourth Plan) : 1. Development of Metropolitan Roads. (i) Hooghly bridge (ii) Other Metropolitan roads. } 50% loan instead of 100% as at present 2. Bridges on the Ganges 3. Minor Ports. 4. Inland Water Transport } Scope of the schemes be enlarged.	The pattern of assistance for the Centrally Sponsored Scheme ‘Roads of inter-state and Economic importance may be changed as under :- (1) For Inter-State projects the Central grant may be restricted to 1/3rd of the cost (as at present). (2) For Inter-State projects of Economic importance the Central grant may be raised to 50% of the cost. (3) No special treatment of any particular individual projects like important bridges.

ANNEXURE III

Schedules I, II and III attached to Planning Commission's letter No. PC(P) 4/2/66, dated January 25, 1967 regarding classification of Plan schemes and patterns of Central assistance to States in the Fourth Five Year Plan for Centrally sponsored schemes and Centrally aided schemes, brought up-to-date.

Schedule I

Fourth Five Year Plan—
Centrally Sponsored Schemes

Head of Development Schemes	Pattern of assistance Grant	Loan
Agriculture		
Improved seeds		
1. Production of breeders stock of rice and wheat	100%	
Agricultural Implements		
2. Pilot projects for subsidy on improved agricultural implements (demonstation of new implements)	50%	
Agricultural Research & Education		
3. All India Coordinated research projects of rice, wheat, barley, maize, millets and sorghum.	100%	
4. Coordinated agronomic experiments	100%	
4-A. Agricultural Universities and other Agricultural Education schemes	75% (vide P.C. letter dated Feb. 7,1967)	
Commercial Crops		
5. Development of commercial crops for export promotion	100%	
Fertilizers and Manures		
6. Subsidy on soil conditioners	50%	
Horticulture		
7. Coordinated research project on improvement of fruits, vegetables and tuber crops	100%	
8. Certification, inspection & registration of virus-free citrus plants	100%	
Plant Protection		
9. Epidemic Control	100%	
10. Prophylactic treatment	100%	
11. Rodent Control	100%	
Statistics		
12. Agricultural Research Statistics	100%	
13. Agricultural Statistics	100%	
Agricultural Extension Training		
14. Upgrading of Gram Sevaks Training Centres	100%	
15. Mobile Soil Testing Vans (Pilot Project)	100% (Vide P.C. letter dt. July 3, 1962)	
16. Farmers Education	100%	
Land Development		
17. Resettlement of landless labourers	Third Plan pattern will continue*	
18. Preparation of land records for land reforms	50%	50%

*(Vide P.C. letter dated July 3, 1962).

Head of Development Schemes		Pattern of assistance Grant	Loan
Minor Irrigation			
19. Survey & Investigation of ground water resources and research and research and training in irrigation and water use		50% 100% (water use)	
Soil Conservation			
20. Soil Survey in IADP and problem Areas		100%	
21. Soil and water conservation in water sheds of R.V.Ps.		50%	50%
Animal Husbandry			
22. Intensive Cattle Development blocks in milk shed areas of Delhi Milk Scheme		75%	25**
23. Progeny testing of bulls		100%	
24. Rinderpest Eradication		100%	
25. Training Centre for Sheep husbandry & rural technology		100%	
26. Sheep breeding farms		100%	
Fisheries			
27. Provision of landing and berthing facilities for fishery vessels (minor ports)		100%	
Forests			
28. Forest reserve survey		100%	
Marketing			
29. Kapas Grading Centres		50%	
Subsidiary Foods			
30. Food Polytechnics (Craft centres)		100%	
Drought Affected Areas			
*1 Assistance to States for schemes in chronically drought affected areas		50% of the total outlay. The loan and grant components to be decided according to nature of schemes.	
Community Development and Cooperation			
*1. Cooperative farming		75%	assistance
*2. Urban Consumer's Cooperative		20%	80% £
*3. Agricultural Credit Stabilization Fund		75%	25% ££
4. Large size export oriented processing units			100%
5. Applied nutrition programme		50%	
6. Panchayati Raj Training Centres (existing)		75% of non-recurring of Rs. 62,500 50% of recurring of Rs. 59,000	
7. Panchayat Secretaries training	(i) Training	75% of N.R. of Rs. 55,000	
	(ii) Augmentation	50% of recurring of Rs. 59,380	
	(iii) Upgrading	50%	
8. Training reserves, study team	Training Reserve	50%	
	Study Team	50%	
	etc.	100%	
9. Distribution of consumer articles in rural areas		100%	
10. Pilot project for integrated areas development (District Plans)		100%	

**(P.C. letter of March 21, 1967).

Head of Development Schemes		Pattern of assistance Grant	Loan
Large and Medium Industries			
1. Kerala Plantation Corporation			100%
2. Metric System		50%	50%
3. Travancore Titanium Products			100%
4. Durgapur Coke-oven project			100%
5. Singareni Collieries			100%
Village and Small Industries			
1. Rural Industries Projects		As indicated in Planning Commission letter No. RIPC/2/6 dt. 27.2.65.	
Transport			
1. Roads of Inter-State and Economic Importance		*	
2. Broadcasting–Community Listening Sets		50% or Rs. 125 whichever is lower	

£ With varying amounts of grants and loans as in P.C. letter of Nov. 1,1966.
££ Subject to review.

*The pattern of central assistance will generally be one-third (Grant) of the total outlay; the remaining two-third being shared by the participating States, for important bridges the pattern of assistance will be considered individually.

		Grant	Loan
Education			
1. State Institutes of Education		100%	
2. Strengthening of Science Teaching			
(i) Crash Programme		100%	
(ii) Other Programmes		100%	
3. Other Schemes : State Institute of Science Education, Examination Reform and Education and vocational guidance		100%	
Teacher Training (Elementary)			
4. Correspondence courses		100%	
Technical Education			
5. Regional Engineering Colleges	Recurring	50%	
	Non-Recurring	100%	
6. Development of post-graduate courses & research		100%	
Cultural Programme			
7. Museums		100%	
8. Gazetters		100%	
9. Physical Education, Sports and Youth Welfare		100%	
10. Development of Hindi and other languages			
(i) Hindi		100%	
(ii) Sanskrit		100%	
Craftsmen Training and Labour Welfare			
(i) Craftsmen training and allied training programmes		50%	
(ii) Manpower and Employment Schemes		60%	
Welfare of Backward Classes			
1. Post Matric Scholarships		100%	

	Head of Development Schemes	Pattern of assistance	Grant	Loan
2.	Tribal Development Blocks		100%	
3.	Denotified tribes and nomadic tribes		100%	
4.	Research training and special projects		100%	
5.	Girls Hostels		100%	
6.	Improvement in working and living conditions of those in unclean occupations		100%	
7.	Coaching and allied schemes		100%	
8.	Aid to voluntary Organisations		100%	
9.	Cooperation		100%	
Health				
1.	Family Planning	Non-recurring	100%	
2.	Indigenous system of medicine (Programme for	Recurring	90%	
	higher education, training and research)		90%	
3.	Post-graduate medical education		90%	
4.	Pilot Projects for Mental Health		75%	
5.	Training of physiotherapists, occupational	For State Govts.	75%	
	therapists and speech therapists	For Voluntary Organisations	100%	
6.	Establishment of Blood Banks	For State Govts.	50%	
		For Voluntary Organisations	100%	
7.	Cancer and regional cardia units		50%	
8.	Regional Public Health Laboratories		75%	
9.	Control of communicable diseases (including			
	Trachoma—Drugs & equipment)		100%	
	Malaria (Equipment & Material)			
	Filaria Control Programme (mosquito larvicidal oil only)		100%	
	T.B. (Supply of Drugs)		100%	
	Trachoma		75%	
	Small Pox (Four Freeze dried Vaccine Units)		75%	
10.	Under Graduate Medical Education	Rs. 2,000	Recurring	
	(Emergency Admissions)	Rs. 15,000	Non Recurring	Per Seat
Water Supply				
	Central Investigation, Planning and design organisation in States		100%	
Social Welfare				
1.	Central Social Welfare Board Schemes			
	(a) Family & Child Welfare Project		75%	
2.	Social and Moral hygiene and after care services (social defence)		50%	
3.	Welfare of the handicapped		100%	
4.	Non-student-Youth Welfare Project		100%	
5.	Pre-vocational Training		100%	
Public Cooperation			60% (For Grant earning schems)	100% (for loan schems)
Other Heads				
1.	Vital Statistics		75%	

Schedule II

Fourth Five Year Plan : Centrally Sponsored Schemes agreed to be transferred to State's Sector

		Existing	*Pattern of Grant*	*Assistance Loan*
1.	Cold Storage for Potatoes	Cold Storage in (i) Public Sector—25% Grant (ii) Private Sector—75% Loan (iii) Cooperatives—100% Loan (PC. letter of Sept. 12, 1967)		
2.	Training-cum-production Scheme for farm-mechanics & village artisans at Workshop Wing attached to GTCS.		100% Grant	
3.	Fertilizer demonstration and Training		100%	
4.	Extension of registration to breeding tracts and formation of breed societies		100%	
5.	Scheme for improvement of milk production by cross breeding of cattle.	50% after deducting grants from UNICEF and PL 480 and other receipts		
6.	*Ayacut development		50%	
7.	Farm forestry and fuel wood plantation (a) Extension foresty (b) Village Plantations	Extension Forestry 50% subject to a ceiling of Rs. 12.50 per acre or Rs. 31 Third Plan pattern to continue		
8.	Survey and categorisation of waste land	100% subject to a ceiling of Rs. 50,000 per district.		
9.	Survey of Ravine areas		100%	
10.	Pilot project on reclamation of saline and alkaline soils		100%	
11.	Soil Conservation in Kosi Project areas		100%	
12.	Subsidy to States for Soil Conservation training and research etc.	50% of actual Expenses on Pay and allowances of trainee including the cost of study tours.		
13.	Expansion of Livestock farm Hissar	Grant Rs. 20 lakhs and the balance of expenditure to be met by the State Government.		
14.	Duck breeding farms		50%	50%
15.	Purchase of publicity-cum-exhibition vans	50% (Non-recurring)		
16.	Pig breeding and bacon factory		50%	50%
17.	*Plantation of quick growing forest Species	100% subject to a ceiling of Rs. 500 per hectare.		
Community Development and Cooperation				
1.	Additional assistance to eastern States and Rajasthan		100%	
2.	Integrated Area Development (District Plans)		100%	
Rural Works			50%	50%
Health				
1.	Undergraduate medical education fulltime teaching units	100% of additiona recurring expenditure.		
2.	Establishment of clinics		50%	
Housing				
1.	Slum clearance*		37½%	50% (P.C. letter of Sep. 12, 1967)
2.	Housing Statistics		50%	
3.	Town Planning*		100%	

		Existing	*Pattern of Grant*	*Assistance Loan*
4.	Urban Development*			100%
5.	**Urban Community Development*		50%	
6.	Land Acquisition and Development*			100%
Education				
1.	Improvement of libraries		50%	
Teacher's Training				
2.	Elementary education improvement programmes		50%	
3.	Revision of Staff Structure in Engineering Colleges		100%	
Transport				
1.	**Provision for metropolitan roads Hooghli Bridge			100%
	Other Metropolitan roads			33%
2.	**Bridges on the Ganges			50%
3.	Minor Ports			100%
4.	Tourism—Part II Schemes		50% (P.C. letter of Sept. 12, 1967)	
5.	Inland Water Transport			100%

*Assistance for schemes marked with asterisk will be earmarked.

**Ministry of Finance has objected to the pattern of assistance for these schemes. These are under consideration.

Schedule III

Fourth Five Year Plan—Pattern of Central Assistance to State for Centrally Aided Schemes

Head		Pattern of assistance Loan	Grants	Remarks
		(Percentage)		
1.	**Agricultural Production**			
	(i) Intensive Cultivation Programmes (H.V.P., I.A.D.P., *I.A.A.P., Multiple cropping and commercial crops)	—	75	
	(ii) Plan Protection—Outlay under the State Plans	—	50	
	(iii) Other Prorammes	30	20	
2. 3	Minor Irrigation, Soil Conservation	60	15	
4.	**Animal Husbandry**			
	(i) Intensive Cattle Development Block	25	50	
	(ii) Other Programmes	30	20	
5. 6. 7.	Dairying, Forests, Fisheries	30	20	
8.	**Cooperation**			
	(i) Additional staff & managerial subsidy	—	50	
	(ii) Godowns and Cold Storages	50	25	
	(iii) Share capital for Cooperatives	80	—	
	(iv) Cooperative Education & Training	—	75	
9.	**Community Development**	Third Plan Pattern of assistance will continue.		
10.	**Irrigation and Power**			
	(i) Selected Irrigation, Multipurpose and Power Projects and Trunk Transmission Lines	100	—	As per list attached
	(ii) Flood Control, Anti-sea erosion and anti-water logging	100	—	
	(iii) Rural Electrification	100	**	
11.	**Village and Small Industries**			
	(i) Handloom, Handicrafts and Sericulture	25	50	
	(ii) Small Scale Industries and Coir	40	20	
	(iii) Industrial Estates	80	—	
	(iv) Powerlooms	75	5	
12.	**Transport Communications**			
	(i) Rural Roads	—	40	

*H.V.P.—High Yielding Varieties Programme.
I.A.D.P.—Intensive Agricultural District Programme.
I.A.A.P.—Intensive Agricultural Area Programme.
**It has been decided that for 1967-68 no grant assistance would be given for Rural Electrification. The position would be reviewed thereafter.

Head	Pattern of assistance Loan	Grants	Remarks
	(Percentage)		
13. General Education			
(i) Special schemes for girls education			Central assistance will be earmarked for all the schemes under 13(I)
(ii) Improvement of Science in middle schools			
(iii) Strengthening of Senior basic schools			
(iv) Work Orientation for other schools			
(v) Vocationalisation and terminalisation of Secondary Education—Multipurpose Schools, Junior Agricultural School etc.	—	75	
(vi) Social Education, literacy, book production and libraries			
(vii) Teachers Training (Elementary & Secondary)			
II. Other Schemes	—	40	
14. Technical Education			
I. (i) Technical institution for girls			
(ii) Training of teachers for Technical Institutions	—	75	
II. (i) Engineering colleges and other degree course Technical institutions (establishment and development)			
(ii) Polytechnics and other Diploma Course			
(iii) Technical Institutions (Establishment & Development)			
(iv) Staff quarters for technical institutions Junior Technical Schools, Technical institutions for Chemical operators and Certificate Course.	—	50	
(v) Scholarships for technical studies			
(vi) Strengthening of Directorates for technical Education			
15. Health**			
I. Medical and Dental Education			
(i) Establishment of new colleges (medical and dental)			
(ii) Condensed courses			
(iii) Improvement and expansion of colleges (medical and dental) including sub-standard medical and dental colleges	—	50	
(iv) Establishment of Health Education Bureau			
II. Training of para-medical personnel		90 @	
(i) Training in general nursing and strengthening of existing nursing schools			
(ii) B.Sc. Degree course in Basic & Post Certificate in nursing			
(iii) Strengthening of existing post basic schools in teaching and administration			
(iv) Nursing education cells in State Health Departments			
(v) Laboratory Technicians			
(vi) Optometerists and Orthoptists			
(vii) Pharmacists			
(viii) Radiographers			
(ix) X-ray Mechanics			
(x) Dental Mechanics			

**Vide P.C. letter of June 9, 1967

@ Within the overall Central assistance of 90%, State Govts. may give 100% assistance to voluntary organisations and institutions without making a reference to the Central Govt.

Head	Pattern of assistance Loan	Grants	Remarks
	(Percentage)		
III. Control of Communicable diseases (other than drugs and equipment)			
(i) Control of prevention of T.B.—including buildings where necessary (ii) Leprosy control scheme and control of V.D. (iii) National Filaria control programme (excluding larvicidal oil only) (iv) Small-pox eradication programme (v) Malaria Eradication Programme (vi) Rabies and others (vii) Cholera Control Programme.	—	60*	
IV. Indigenous system of Medicines Opening of new ayurvedic, homoeopathic, Siddha, Unani and nature-cure colleges and upgrading of existing colleges, opening of new dispensaries and hospitals and upgrading of existing dispansaries/hospitals in all these different systems of medicines, opening of new pharmacies and upgrading of existing ones, etc.	—	50	
V. Medical Care (i) Primary Health Centres—Staff for strengthening of 5223 PHCs to undertake additional maintenance of Malaria, Small Pox etc. and other basic Health service equipment drugs, insecticides and maintenance of vehicles (ii) Establishment of District polyclinics (iii) Rehabilitation of Para-plegic centres	—	50	
VI. Primary Health Centres (Building component)	—	75**	
VII. (a) Prevention of food adulteration—Strengthening of food testing Laboratories (b) Drug Control—Strengthening of laboratories facilities for drug testing.	(i) Equipment	100%	
	(ii) Capital expenditure only 75%		
VIII. Water Supply and Sewerage (i) Urban Water Supply Schemes‡	100	—	
(ii) Rural areas as well as small towns having a population upto 20,000 according to 1961 census	—	50	
(iii) Sewerage schemes‡	75	12½†	

Head	Pattern of assistance Loan	Grants	Remarks
	(Percentage)		
16. Housing			
(i) Subsidised rental housing (industrial Housing and housing for economically weaker sections and slum dwellers and Rural Housing)	50	50	
(ii) Loan Schemes— (Low income group housing, Middle income group housing, rental housing for State employees, land acquisition and development, house construction loan under Village housing)	100	—	
(iii) House sites for landless agricultural labour and provision for streets and drains under village housing	—	100	
(iv) Subsidised housing—Industrial employers and planters	50	25	
(v) Cooperatives of Industrial Workers	65	25	
17. Welfare of Backward Classes	—	60 (For Programmes in Hill Districts in Assam grant will be 100%)	
18. Social Welfare (For outlay on State Plan Schemes)	—	50	
19. Statistics	—	50	
20. Evaluation machinery	—	50	
21. Boder Areas	Third Plan Patterns will continue.		

* Within the overall Central assistance of 60%, State Govts. may give 75% assistance to programmes such as small-pox and Cholera.

** Assistance will be earmarked.

‡ The pattern of assistance for urban water supply and sewerage schemes would also cover assistance for conversion of dry latrines into flush latrines and their connection with the public sewers.

† 25% subsidy to be shared equally by Centre and States in case of schemes where sewerage is utilised for agricultural purposes.

ITEM-IV — RECOMMENDATIONS OF THE ADMINISTRATIVE REFORMS COMMISSION ON THE MACHINERY FOR PLANNING.

The Administrative Reforms Commission have recently submitted their Final Report on the Machinery for Planning to the Prime Minister. The Commission had submitted their Interim Report to the Prime Minister last year in April 1967. After discussions with the Chief Ministers the decisions of the Government on the Recommendations contained in the Interim Report were announced by the Prime Minister in Lok Sabha on the 17th July 1967. One of the Recommendations made in the Interim Report (Recommendation No. 13) related to the constitution of State Planning Boards. At the last mealing of the National Development Council held in December 1967, a paper on the State Planning organisations was circulated and the position brought to the notice of the Council.

2. In the Final Report recommendations have been made inter alia about the role of the Planning Commission vis-a-vis the State Planning Boards. Certain other recommendations have been made on the premises that Planning Boards in the States would be set up. State Governments to whom copies of the Report of the Administrative Reforms Commission have already been sent have been requested to examine the recommendations pertaining to them.

3. The recommendations which pertain to the State Governments relate to the functions of the State Planning Boards, the pattern of Board's Secretariat and the constitution of Planning Cells in Development Departments of the State Governments (Recommendation No. 19); responsibility of developmental set-up in the District for Planning at the District level (Recommendation No. 20); preparation of Progress Reports by the State Planning Boards and their presentation before the State Legislature (Recommendation No. 21(2); constitution of Evaluation Units in the State Planning Boards and presentation of the Evaluation Reports before the State Legislatures (Recommendation No. 24) and constitution of a Committee of the State Legislatures to go into the Annual Progress Reports on Plan performance as well as the Evaluation Reports laid before the State Legislature (Recommendation No. 25).

4. A recommendation has also been made about the Central assistance to the States for Plans (Recommendation No. 11). A separate paper on Central assistance is being placed before the National Development Council.

The above position is being brought to the notice of the National Development Council.

SUMMARY RECORD

Welcoming the members of the National Development Council, the **Prime Minister** stated that the meeting of the Council at this time and stage of development was of very special significance. The Council was charged with the responsibility of providing guidelines to the Planning Commission and the detailed work on planning could be undertaken by the Commission after it had got the indications. At this meeting, the Council would consider only the basic approach to the Plan and not its details. The major issues requiring consideration were the overall goals, the tempo and pattern of development, the national effort, discipline, cooperation and determination required for reaching the set goals. The Council should consider whether the rate of growth of 5 to 6 per cent, which had been indicated by the Planning Commission, was adequate and whether necessary effort in terms of mobilisation of resources to attain this rate of growth could be made.

2. The Prime Minister observed that despite the progress registered in many directions the real income per head had been exceedingly low. Growth had not made a significant impact on the living standards of the people and had not provided opportunities for full employment or for reducing disparities. That was why the rate of growth in the future was a matter of crucial importance. Planning for a 6 per cent growth of the economy in condition of diminishing external aid was a hold undertaking, but the question was whether we were prepared to put in the necessary effort and whether there was the national will for this. This required a firm direction, a longer perspective and a commitment to action. The National Development Council, as the supreme body of the nation, had to give this lead and to impart this confidence to the people. The right policies and programmes must be backed by the necessary resources, physical as well as financial.

3. The Prime Minister expressed the hope that the members of the Council would give serious thought to the problem of resource mobilisation. Before foodgrain imports under PL-480 could be progressively eliminated and foreign aid reduced, ways and means to raise the necessary additional resources would have to be devised. As a large part of the annual increase in income would accrue in the rural sector and particularly amongst the prosperous group of farmers who would greatly benefit by the development effort, the mobilisation of resources must take full cognisance of this fact. She drew attention to some of the problems relating to the operation of the mixed economy which required careful consideration. She assured the Chief Ministers that she was fully aware of the difficulties which confronted the States and she sympathised with their just demands and was unhappy that all that was needed to help them could not be done. But she hoped that instead of reiterating grievances against the Centre at this meeting a conscious effort would be made to assess the major economic difficulties on a national plane and see how each State could play its part to evercome them and how the Centre could be in a position to give the assistance to the States. The good harvest had given a new hope for quick progress and for moving ahead.

4. The Prime Minister observed that while a free market economy could bring economic growth, it would not bring the kind of equality of opportunity which the vast masses of underprivileged expected. Government was pledged to look after the needs of the weaker sections of the community and the backward areas of the country. The aim of planning was not only to budget our resources but to find ways to advance faster so that our increasing population and growing needs did not outstrip our national advance. Planning was an instrument for correcting imbalances and lessening disparities.

5. The Prime Minister then requested the Deputy Chairman, Planning Commission to explain in greater detail some of the underlying assumptions and problems inherent in the approach to the Fourth Five Year Plan.

6. **Dr. D.R. Gadgil**, Deputy Chairman, Planning Commission, stated that one of the functions of the National Development Council as re-defined in October 1967 was to prescribe guide lines for the formulation of the national plan and the main purpose of the Approach paper was to obtain the guide lines. The paper did not review historical developments or reiterate established aims and objectives or cover every subject. The first aspect related to the rate of growth of economy during the Plan period and the extent to which development planning could be freed from dependence on foreign aid. The two were closely inter-related. Judgement regarding the feasible rate of growth in agriculture and industry had been based on assessment of existing potential. The statement that agriculture could grow at the rate of about 5 per cent during the next Plan period was based on fairly firm calculations relating to the programme of agricultural extension and development of water resources. Similarly, the rate of growth thought feasible in industry was based on an assessment of the diversified industrial structure built up during the recent past and its likely performance with a normal functioning of the economy. If agriculture continued to grow at a rate of about 5 per cent, the resulting activisation of other sectors of the economy should create conditions in which industrial production could grow from 8 to 10 percent.

7. In relation to foreign aid, the burden of servicing of older debts was becoming progressively heavier. The quantum of foreign aid obtained every year had also become uncertain. Moreover, with the development of the industrial base in the country, it was necessary to shift emphasis from project to non-project aid and non-project aid was even more difficult to secure than project aid. All circumstances thus indicated the need of progressing as much in the direction of reducing dependence on foreign aid as possible. The Approach paper set out for consideration a definitive target in this behalf.

8. The Deputy Chairman observed that a move towards self-reliance had two consequences. First, it made it necessary to cover appropriately the gap between imports and exports. Strict regulation of imports and a very large effort in promotion of exports would be required to achieve this. The second consequence was diminution in resources available for investments chiefly in the public sector. An important key programme of the next plan was the proposal to build up buffer stocks of agricultural commodities. A sum of Rs. 130 crores had been allotted for this purpose in the 1968-69 Plan. It was expected that during the Fourth Plan period, for building up buffer stocks and for the storage and other requirements needed to operate buffer stocks considerable additional investments of a type not included in previous plans would be needed. It was thus clear that a fairly substantial effort would have to be made in raising of additional resources during the next plan period.

9. The Deputy Chairman felt that it was necessary for Governments to give special attention to economy in non-plan expenditure. Administrative expenditure of all types must be kept down. Special attention may have to be paid to defence expenditure. Defence expenditure and particularly defence production programmes could be meaningfully related to internal industrial development and could be orientated to support it. Equally, there was need for careful economy in and for increasing the efficiency of plan outlays.

10. In view of the large investments in public sector undertakings it would be reasonable to expect increasing net return from them and with vigorous efforts this should improve substantially by the middle of the next plan period. Continuous growth in agriculture, chiefly in areas of intensive

irrigated agriculture, would make surpluses available to many classes and individuals in some rural areas. These surpluses could be deployed for financing plans of development through measures such as rural debentures. If local authorities, cooperatives, etc., took greater part in plan formulation and implementation this could also help in raising local resources to a larger extent than hitherto for financing the plan. Increased taxation would also have to be resorted to but how much and how comprehensive it would be would depend on contributions made by alternative sources and development financing.

11. The Deputy Chairman drew attention to some of the important features of the programmes of action referred to in the Approach paper. The first was the emphasis on building up the infra-structure and on conservation and development of natural resources. This was an integrative feature of the approach and served a number of purposes. Provision of an adequate infra-structure for all areas was a necessary pre-condition of intensification of productive efforts in agriculture, for the establishment of dispersed small scale industry, for correcting regional and area imbalances and for generating widespread employment opportunities during the plan period. The second important feature was that of paying special attention to neglected areas, activities and classes. Development had extension of intensive irrigated agriculture had a high priority. Active development of modern large-scale industry in defined directions was the other important objective of the Plan. A number of areas and activities which and not felt the impact of development planning to a significant extent, for example, the problems of dry agriculture, small holders, landless labour and other sections like village artisans, forest labourers, casual labour in cities, needed to be given special attention in the Fourth Plan. It was, therefore, necessary to formulate, on the basis of such past experience as existed, pilot projects in respect of each of these categories of classes and activities and build slowly towards programmes of wider application,

12. Another general concept included in the Approach paper was that of some shift of public outlays and financial assistance from areas and classes in relation to which the process of development was well under way, to classes, areas and activities which had not so far benefitted from planning. If the general approach that those who had the larger resources and to whom larger surpluses accrue would find a greater proportion of their requirements from within their own establishments and business was accepted, substantial resources could be made available for the special programmes of infra-structure development, conservation of natural resources and looking after the neglected areas and the weaker sections.

13. The third aspect with which the Approach was concerned related to measures needed to maintain stability in the economy and to a set of consistent policies which could direct the operation of the mixed economy so as to lead to the fulfilment of plan objectives. Stability had been related to two objectives. First preventing large fluctuations in the physical availability of agricultural commodities and, second preventing a continuous inflationary rise of prices. In relation to the first the main programme was that of building up of buffer stocks of foodgrains and main commercial crops which would help Government to stabilise a structure of relatives prices of the major agricultural commodities and to regulate it so as to serve a number of plan objectives.

14. The Deputy Chairman observed that prevention of a continuous inflationary rise of prices, was, in the main, related to the ability to refrain from a high level of deficit financing. An extension of the fair price shops system and of consumer cooperative stores in areas and in range of commodities could help in maintaining stability of prices of essential consumer goods. This could be specially helpful in eliminating large seasonal variations and in resisting certain pressures. Further, if commodities imported in bulk and imported commodities of strategic importance for working of the

economy were imported through public agencies, considerable control over the range of variations in their prices could be exercised.

15. Referring to the emphasis placed in the Approach paper on planning by the State and the District, the Deputy Chairman stated that this was necessary if programmes of correcting regional imbalance and of dispersal and programmes of helping the weaker sections were to be meaningfully carried out on the ground. There was immense diversity of conditions in the country, and standard schemes prepared fully whether by Union Ministry or in the capital of a State were bound to prove non-applicable in a large number of cases. Plan formulation in relation to physical features and resources and the institutional structure in each area was necessary if the plan was to succeed. Further planned development required not only financial and physical material input but also resources of personnel. The emphasis on district or local planning was related also to the requirements of institutional adaptation. In formulating a plan of rural development, it was necessary to think in terms of an appropriate institutional structure for the area.

16. The other aspect of institutional development was that of land reforms. Categories such as tenants and small holders could not be effectively helped in a plan of development until the basic provision of land reform measures were fully implemented in their favour. The programme of supplementing the income of uneconomic holders through additional activities was undoubtedly important. But a programme of consolidation of holdings and the possibility of some advance in the direction of larger units of farming through cooperative or other programmes was a matter which required close attention.

17. The Deputy Chairman pointed out that the Approach paper represented the thinking of the Planning Commission and highlighted the issues which appeared to merit special attention. Planned economic progress in country of our size and diversity required the emergence of a broad agreement on fundamentals of policy and consistent follow up action at various levels. It was only when these were in evidence that energies of people could be fully harnessed to the streneous, dedicated efforts necessary for significant national progress. Through the Approach paper, the planning Commission was seeking the guidance of the National Development Council in evolving effective and acceptable policies and programmes.

18. **Shri K. Brahmananda Reddy**, Chief Minister of Andhra Pradesh stated that it would have been better if the Planning Commission had made an evaluation of the past plan performance and indicated in which sectors and fields the achievements had fallen short of plan targets or expectations and the reasons therefor. With such an evaluation before it, the National Development Council would have been in a position to suggest the steps that should be taken for the Fourth Plan. In order to have a growth rate of 5 per cent in agriculture it would be necessary to consider the steps that should be taken to realise these targets. The Chief Minister agreed that the target of 8-10 per cent rate of growth in industrial production was realistic one.

19. Referring to fertiliser production, the Chief Minister stated that the Planning Commission should have indicated the reasons for the failure to reach the target and what was proposed to be done in future to meet the demand. At the current high price of fertiliser the small farmer found it difficult to consume it without proper credit availability. The small amount of credit that was made available was only helping the progressive or fairly well-to-do farmers. In order that the small farmers were helped a larger credit would be required to be made available and for this suitable steps would have to be thought of. Price incentive was the best incentive to the farmer for producing more. In order that the farmer was encouraged to produce more of commodities essential for the community, he should be assured of a fair price of those commodities at least for a period of two or three years.

This would give him a feeling of security.

20. The Chief Minister referred to the short-fall in utilisation of irrigation projects. Lack of machinery, bull-dozers, tractors, etc. was responsible for the non-utilisation in many States and this, according to him, was a defect in planning. He was of the view that 5 per cent rate of growth in agriculture was possible provided factors like inputs, availability of water, utilisation of irrigation potential created, availability of fertilisers to small farmers at a rate they could afford and availability of credits were taken care of. He suggested that the Planning Commission should after taking a realistic view of all these factors, difficulties and possibilities give a picture of what can be achieved from year to year. The rate of growth should be based on precise data and if that information was made available the National Development Council could, on the basis of the Chief Ministers, experience in the States, give its ideas and suggestions with regard to the plan for agricultural production.

21. Coming to resources, the Chief Minister said that it was not possible to raise more resources through additional taxation as taxation had already reached a saturation point. With better and more efficient management of public sector undertakings it should be possible to secure additional resources.

22. Referring to the stress laid by the Prime Minister on building up a national will the Chief Minister observed that with unemployment facing a large section of the society, including the educated class like engineers it was difficult to create a national will. The Approach paper did not indicate the steps which were proposed to be taken for purposeful employment especially of this class. Though each of the last three Plans had been stressing the need for removing regional imbalances, in actual experience this was being perpetuated from year to year. The Planning Commission should, the Chief Minister suggested, give a careful thought to this problem and consider how best the economy and the imbalances which were existing could be reduced so that if not in one Plan period, in two Plan periods these could be rectified. Every State should have a feeling that it was a part of the whole, for without this it would be difficult to generate a national will or to enthuse people to work together with vigour.

23. **Shri B.P. Chaliha**, Chief Minister of Assam stated that so far as the fourth Plan approach was concerned there was nothing with which one could disagree. But in the past also the approach had been on the same lines and inspite of this the targets could not be achieved. He agreed that for meeting the large unemployment problem and reducing poverty in the country, the rate of increase in agricultural and industrial production had to be stepped up considerably. The reasons why it had not been possible to achieve it so far should be looked into. The whole base of our planning depended on the success of agricultural programmes. The Chief Minister was doubtful whether with the fundamental rights provided in the Constitution it would be possible to carry out land reforms. He was of the view that if changes in fundamental rights were necessary in order to achieve our objectives in the larger interest of the country we should not hesitate to do so.

24. The Chief Minister drew attention to the losses in agriculture caused by flood every year and unless this was taken care of through suitable flood control measures, the possibility of agricultural growth in a State like Assam was not there.

25. Referring to resources, he said that tax evasion was to a great extent responsible for inadequate resource mobilisation. If this could be properly dealt with and tax evasion plugged, it should be possible to raise a substantial portion of the additional resources required for the Fourth Plan.

26. **Shri Bhola Paswan Shastri**, Chief Minister of Bihar welcomed the objective of making the country self-sufficient in foodgrains in the Fourth Plan and doing away with the need to import from abroad. He urged that special consideration should be given and adequate assistance provided for certain major irrigation projects in his State like North Koel Project and West Kosi Canal Project in addition to the Gandak Project. Early completion of these projects would help increase agricultural production considerably and contribute towards making the country self-sufficient in foodgrains. The drought conditions in Bihar in the last two years had greatly affected the economy of the State which was already very low compared to other States. Bihar lagged behind in primary education, particularly girls education, in the field of health and transport. A large area in Bihar had become almost a desert and soil conservation was required to be intensified. The problem of landless workers, who depended on agriculture, needed special attention in order that planning may have impact on the weaker sections. Bihar had abundance of natural resources but did not have the required financial resources for their proper exploitation. The Chief Minister urged that the Planning Commission should assist in exploiting the State's natural resources. He also asked for early action on his Government's request, which was pending with the Central Government, for enhancement of royalty and development cess on minerals which would greatly help the resources of the State.

27. **Shri Hitendra K. Desai**, Chief Minister of Gujarat State that while there could be no disagreement on the basic approach, the main point was how to realise the 5 per cent overall growth - 5 per cent in agriculture and 8 to 10 per cent in the industrial sector. He agreed with the Chief Minister of Andhra Pradesh that the data furnished in the Approach paper was not adequate to enable the National Development Council to come to a definite conclusion regarding the amount of resources required to be raised during the Fourth Plan period. Resource mobilisation through additional taxation alone was difficult. In any case, this would provide a very small portion of the total additional resources required for the Fourth Plan. The States, he said, would like to know how much resources the Centre would be able to mobilise and give to the States. He urged that in making allocation of Central assistance to States like Gujarat which were making real efforts to mobilise resources by taxation should not be placed in a dis-advantageous position on that account. Apart from taxation, Gujarat had tried to effect economy in administrative expenditure. The Centre should likewise economise in administrative expenditure so that some more resources could be available.

28. The Chief Minister stated that basic objectives of the Fourth Plan should, apart from those already there in the first three plans, be to help the common-man the small holder in the village, the agricultural labourer, the industrial worker in the city and the lower middle class in the urban area. In this way alone the national will to go ahead with the Fourth Plan could be created. In the rural areas, our aim should be not only to be self-sufficient in food-grains but also be able to build up buffer stocks. The Chief Minister also suggested the gradual removal of restrictions on the movement of foodgrains in order that the different parts of the country should be able to pull together. He pointed out that though Gujarat was deficit in foodgrains, the State Government would try to achieve a growth rate of 6.5 percent during the Fourth Plan instead of 5 percent provided adequate resources were made available by the Centre.

29. For raising resources, apart from rural debentures suggested by the Deputy Chairman, Planning Commission, the setting up of cottage and small industries in the rural sector, which would provide employment to the small holder and the agricultural labourer, would mop up some of the resources generated in the richer sections of the rural community.

30. The Chief Minister also stressed the importance of village roads and suggested that instead of spending more on national highways efforts should be made during the Fourth Plan to see that every village was linked up with some national highway or some other main road. The schemes should provide for people's participation. The success of the Plan in this respect would largely depend on the extent to which it was possible to mobilise not only resources but also the immense manpower in the country. Apart from village roads, efforts should also be concentrated on minor irrigation projects. The Chief Minister also urged the Centre to devise some machinery by which the inter-State disputes on major irrigation projects concerning more than one State could be settled in the larger interest of the country.

31. Coming to the weaker sections, the Chief Minister observed that so far as scheduled castes and scheduled tribes were concerned their main difficulty was in regard to housing. He suggested that in the Fourth Plan a scheme for building some houses mainly for the weaker sections of adivasis, scheduled castes and agricultural labourers should be devised. In considering the Fourth Plan, the main emphasis should be on reaching the small man in the society and in this way it would be possible to generate necessary climate in the country and the people would be able to participate in the preparation and implementation of the Plan.

32. **Shri G.M. Sadiq**, Chief Minister of Jammu & Kashmir stated that he was in agreement with main aim of the Fourth Plan which was growth with stability. Inspite of the difficulties under which the country's economy was functioning at the movement, it was imperative to maintain a rate of growth of 5 to 6 percent and for achieving this rate of growth internal resources would have to be raised. This could not, however, be achieved by direct taxation. The surplus incomes should be mobilised by giving some sort of incentive, especially in the rural sector, such as establishment of rural banking etc. The Chief Minister agreed with the Planning Commission that the benefits of intensive approach to agriculture should go to the small farmers and more attention should be given to the problem of increasing productivity and incomes especially in the dry areas. In the field of animal husbandry, there were tremendous possibilities of increasing yield of meat and milk but these potentialities had not so far been tapped. For this, foreign exchange would be required to be made available liberally so that better breeds of animals could be imported and arrangements made for research in feed and fodder.

33. The Chief Minister agreed that power projects should be planned on a regional basis and the Centre should take up inter-State and inter-regional transmission lines. It was estimated that by 1970-71 there would be a deficiency of about 500 MW of power in the northern region. This underlined the importance of starting work on Salal Hydel Project in J &K which would feed the entire northern region. The revised project estimates had been sent by the State Government to the Central Water & Power Commission and clearance from it and the Planning Commission was awaited. The Chief Minister suggested that this should appropriately be taken up as a Central Project.

34. The Chief Minister stressed the need for undertaking in Jammu and Kashmir a road development programme to help open the vast interior areas which were pockets of poverty and backwardness. Unless a sufficiently long-term view was taken, the usual allocation for road communication would leave these areas neglected for a very long time.

35. He referred to the problem of urban development and the need for providing adequate assistance by way of grants and loans in order that basic urban amenities could be provided in several growing towns.

36. Coming to the subject of Central assistance, the Chief Minister observed that it was difficult

to lay down any hard and fast rules for its distribution among the States. Each region or State had its own problems. While population could be one of the factors, economic back wardness of a State should be the most important consideration and the objective of attaining a balanced growth of all regions should always be kept in view. The special needs of border State like J &. K, Assam and Nagaland had already been recognised and would need to be given greater consideration in future. The Chief Minister was of the view that except for earmarking certain assistance for a few programmes of high national priority selected in consultation with the State Governments, the rest of the amount of Central assistance should be distributed by the State Government according to the local priorities subject to scrutiny and approval of the sectoral outlays by the Planning Commission. Then State Governments should be free to divert outlays from one head to another but only within the priority sectors and the non-priority sectors respectively. He also suggested that the proportion of grant and loan in the total amount of Central assistance should vary with the stage of economic development of the Stale concerned, the quantum of grant being higher for less developed States than for others.

37. **Shri E.M.S. Namboodiripad**, Chief Minister of Kerala expressed dissatisfaction on the Approach document. All previous Plan documents, he said, gave a review of the achievements and failures of the Plan, the reasons for the failure and a perspective of the future based on the lessons drawn from the past. The Approach paper did not indicate the reasons why the Draft Outline of the Fourth Plan, which was approved by the Council and the Government and on which the two Annual Plans were based, was now being revised. Without such a review, it was difficult for him to accept a figure of rate of growth of 5 percent mentioned by the Planning Commission. The Approach paper did not give a perspective for the future unlike the earlier Plans which gave a long term perspective like doubling of the per capita income by 1977 or so. There was also no mention of socialism anywhere in this document. As such this paper was not in keeping with the earlier Plans. The basic point should not be so much as securing the Council's approval to a rate of growth of 5 per cent but as how to tackle the practical problems in order to ensure a particular rate of growth. In the Chief Minister's view, the paper was divorced from an understanding of the world economic situation as it was developing. For an effective planning it was necessary to seriously reconsider the whole range of policies economic, internal and foreign—which the Government had been pursuing. The Plan and the national will to carry out the Plan could not be isolated from the developments which were taking place in the internal political situation.

38. Referring to the Centre-State relations, the Chief Minister pointed out that the Centre had greater facilities and avenues for raising resources than the States. As such and in the interest of better Centre-State relations it needed to be carefully and objectively examined whether the States and not the Centre had failed in the task of raising resources for the country as a whole.

39. **Shri G.N. Singh**, Chief Minister of Madhya Pradesh stated that there were large areas in Madhya Pradesh which were lacking in drinking water supply and urged that high priority should be given to this problem in the Fourth Plan so that drinking water facilities were provided in the rural areas. For increasing agricultural production, irrigation was the most important factor. With proper irrigation facilities it should be possible achieve 5 per cent rate of growth in agriculture. The Chief Minister asked for a larger allocation for the plans in the States sector. He was doubtful if the State Governments would be able to make up the gap in financial resources consequent on the reduction in foreign assistance.

40. The Chief Minister pointed out that in Madhya Pradesh generation of power was based on coal with the result that the power rate had to be high. If the State could be given hydel power it

would be able to supply power to farmers at a cheaper rate and that would help in larger agricultural production. He expressed himself in general agreement with the approach to the Fourth Plan.

41. **Shri C.N. Annadurai**, Chief Minister of Madras said that both the Prime Minister and the Deputy Chairman had in their speeches referred to the emphasis which was being laid in the Fourth Plan on making the benefits of the Plan reach the weaker sections of the population, but the measures which were proposed to be taken in this connection had not been spelt out. Referring to the growth rate of 5 percent in agriculture and 8 to 10 per cent in industrial production, proposed in the Approach paper, the Chief Minister stated that while no State would object to it they would like to know what incentives would be forthcoming from the Centre and what the States would be expected to do to achieve these rates of growth and make the plan a success. With no assured irrigation facilities in large parts of the country and agriculture being dependent largely on monsoon, it was, in his view, rather risky to take a view on the future prospects of agriculture based on this year's bumper crop. Efforts should, therefore, be made to provide assured irrigation facilities to more areas so that agricultural production may not only increase but also become stable. The Chief Minister stressed the need for a proper scheme of water management for the country so that sub-soil water and lift irrigation potentialities were fully utilised.

42. Referring to resources, the Chief Minister stated that India was still dependent on foreign aid for carrying out its plan. As such it was necessary to know the quantum of foreign aid that could be expected and also what were the internal resources that the States and the Centre could mobilise. No State, including Madras, had failed to make honest and sincere attempts to mobilise resources even at the risk of courting unpopularity with the people. But the States had limited avenues of resources and as such a major share in the mobilisation of resources for the Plan had to be provided by the Centre. In the Chief Minister's view there were three sectors in which the Centre should make larger effort. First was the defence sector in which more economy was possible without the risk of curtailing the defence power. Second was the Centrally sponsored public sector undertakings which should yield more resources for the Plan. Then there was tax evasion. If the income tax department were to work in close co-operation with the State officials in the sales tax and revenue departments, they could find out how to plug the loopholes and thus help increase the income tax yield. The Centre could also make considerable economy in administrative expenditure.

43. The Chief Minister observed that in order that the Plan may have an impact on the ordinary man, it should provide him the basic necessities, like a plot of land to plough, a place to live, a job, an assured income and a school for his children. Then only he could be made to feel that the Plan was working for him and that it was raising his standard of living. This would help to create a national will in the country. He felt that at present there was more frustration than national will. The Chief Minister stressed the need for laying greater empahsis on housing in the Fourth Plan.

44. In the end, the Chief Minister expressed himself in general agreement with the rate of growth suggested in the Approach paper but pointed out that the important thing to be considered was how to achieve it.

45. **Shri V.P. Naik**, Chief Minister of Maharashtra considered that 5 to 6 per cent rate of growth per annum was the minimum that should be aimed at and every effort should be made both by the Centre as well as the States to make enough resources available to achieve this growth rate. It was through larger production, particularly in the agriculture sector, that the required results could be achieved. In agriculture the basic factor was water and more money would have to be provided in the Fourth Plan for completion of continuing irrigation works and also for taking up new works. He pointed out that States like Maharashtra which had less irrigation would have to be helped so that

they could have more irrigation and produce better results from agriculture.

46. The Chief Minister stressed the need for helping the backward communities, the small holders, and the labourers. For the small holders having uneconomic holdings the labourers and village artisans the Maharashtra Government had drawn up a scheme and a beginning had been made by introducing the scheme in four blocks in the State. Under this scheme, the State Government gave irrigation facilities to the small holder by sinking community wells or putting up lift irrigation, levelling their lands, giving them fertilizers, hybrid seeds and giving them finance. For the agricultural labourers and artisans, subsidiary industries were encouraged by giving cows, buffaloes, sheep, goat and poultry to the labourers and giving money to the artisans for purchasing raw materials and equipments etc. The recent results had been encouraging. The Maharashtra Government intended to cover the entire State in course of time with these blocks. The State Government has taken up a big programme of high yielding varieties and hybrid seeds and the cultivators were enthusiastic about adopting the new methods of cultivation.

47. The Chief Minister did not agree that there was frustration in the country. On the other hand, the masses had tremendous will. He was confident that if the people were taken into confidence and schemes were drawn up for the good of the masses, their cooperation would be forthcoming in abundance. Referring to export he observed that textile was the main source of our export but sufficient finance had not been provided by Government or by the industries themselves for modernisation and renovation of the industry with the result that the industries were not efficiently working and the foreign exchange that could have been got was not coming. This needed to be looked into so that industries were modernised and made to function efficiently.

48. The Chief Minister was glad that a good deal of emphasis had been laid by the Planning Commission on the dispersal of industries but the real dispersal should, in his view, mean the development of industries in the rural areas. Only by encouraging the local agriculturists to process their raw materials by setting up cooperative processing units an industrial climate could be created in the rural area. Thus by providing facilities for irrigation, inputs for agriculture and encouraging the agriculturists to set up cooperative processing units, the rural areas could be developed and production increased. With these it should not be difficult to achieve a growth rate of 5 to 6 per cent.

49. The Chief Minister drew attention to the problems of urban development, particularly water supply and transport problems in metropolitan and other large cities and towns, which would have to be kept in view while formulating the Fourth Plan. He also referred to the chronically drought affected areas and asked for a special provision to be made in the Fourth Plan for the development of these areas. In this connection he re-called the Conference of Chief Ministers of Andhra Pradesh, Madras, Maharashtra and Mysore which was held at Tirupati to consider the problem of contiguous drought affected areas falling within these States. The Chief Minister stated that in formulating the Fourth Plan we should have confidence in the capacity of our people and he assured the National Development Council that whatever responsibility was cast on Maharashtra for the formulation and implementation of a bigger plan, the State would be prepared to shoulder that responsibility.

50. **Shri Ramakrishna Hegde**, Finance Minister of Mysore stated that before the basic approach to the Fourth Plan could be considered it was necessary to go into the factors and difficulties that were responsible for the postponement of the original Fourth Plan and to make sure whether those difficulties had been overcome. The Approach paper was silent in all these matters. Information regarding national income, capital and output ratio, total outlay to achieve the rate of growth that had been envisaged, etc., had not been furnished and in the absence of these vital statistics it was difficult to offer useful remarks on the approach to the Fourth Plan.

51. The key note of the Approach paper was growth with stability—stability in regard to prices and natural conditions. The fate of the Fourth Plan depended on two vital issues - mobilisation of resources and stabilisation of prices. In the past it had not been possible to keep a control on prices and the resources which were expected could not be raised. The resources that were raised were eaten up by rise in prices and consequent rise in emoluments of government servants. It would be necessary to ensure that at least in future our calculations did not go wrong.

52. Shri Hegde was not sure whether the growth rate of 5 to 6 per cent which had been suggested was feasible and practicable considering that it had not been possible to achieve even a 3 per cent growth rate. He was doubtful about mobilisation of additional resources envisaged for the Fourth Plan. Though Mysore would do its best, in the absence of an idea of the total outlay for the Fourth Plan, it was difficult to estimate the requirements of the State by way of additional resources. He suggested that the areas indicated by the Chief Minister of Madras in which resource mobilisation could be increased should be seriously examined. In view of the country's limited financial resources the Plan should aim at putting the available resources to the maximum use and for production purposes where the return would be quick.

53. In the Minister's view, agriculture, irrigation and rural electrification should receive the top most priority in the Fourth Plan. During the last fifteen years, irrigation and allied subjects like rural electrification had not received the attention which they ought to have received in the three Plans. Mysore was one of the States where irrigation was very low. If sufficient funds could be made available to Mysore in the Fourth Plan, it could become more than self-sufficient in foodgrains.

54. Shri Hegde welcomed the Planning Commission's proposal regarding industrial licensing policy. Referring to the proposal for reducing foreign borrowing, he said that until such time as the country was able to develop its economy to the level of self-generation we should not be too sensitive about getting foreign aid provided whatever aid was obtained was used for good and productive purposes. The Fourth Plan should essentially be a plan of consolidation and stabilisation so that whatever efforts had been made during the last several years should be stabilised and the investment that had been made start yielding satisfactory return before embarking on new projects.

55. Shri Hegde observed that the agriculturist today was more interested in getting water for his land and inputs for modern agriculture rather than in things like housing, big school buildings or big hospitals and if the things required by the agriculturist could be provided to him the Plan could be considered a success.

56. **Shri T.N. Angami**, Chief Minister of Nagaland expressed agreement with the overall approach to the Fourth Plan namely growth with stability, self-reliance, stoppage of all non-essential imports, etc. This would ensure economic growth and advance of the country as a whole. In order to secure rapid progress in the economic and social spheres, it was necessary to put a check on the rapid price rise in the economy. To achieve stabilisation of prices of daily necessities, steps like building up buffer stocks of main agricultural commodities, increase in production of foodgrains and consumer goods, etc. were necessary. Unless this was achieved improvement in the living standards of the common man would be difficult.

57. Referring to his own State, the Chief Minister stated that in Nagaland there were no industries while in some States there had been concentration of industries. Therefore, centralisation of administration of industries alone would, in his view, remove the regional imbalances. In the matter of allocation of Central assistance to States, no one single formula or pattern could be adopted because different States had different problems and such problems would have to be given due

weightage. Nagaland had no revenue earning sources which could be tapped to finance its plan schemes. Its own revenue was hardly sufficient to meet its expenditure on administration including the police force.

58. **Shri R.N. Singh Deo**, Chief Minister of Orissa stated that in his view the main causes for the failure of the past three Plans were the over-ambitious planning, the inefficient utilisation of the resources and the over obsession with ideologies. He welcomed the suggestion that the foreign loans should be reduced by half but at the same time it was necessary, in his view, to take account of the recession, the employment situation and the retrenchment which might result because of the slowing down of the ternpo of development. While he agreed with the approach that the Fourth Plan should be resource oriented, at the same time it had to be ensured that the tempo of development did not go down and that our economy did not stagnate. Therefore, while trying to reduce foreign loans, attempts should be made to increase foreign investment and not discourage foreign collaboration. He welcomed the approach that the controls should be relaxed.

59. Referring to the land reforms, the Chief Minister stated that he was against any further amendment of the Constitution which may result in encroachment on the fundamental rights of the people.

60. On the question of resources, the Chief Minister observed that the additional resource mobilisation of Rs. 200-300 crores, which had been proposed in the Approach document, included small savings and taking this into account the effort was not over-ambitious. Inspite of the fact that Orissa was underdeveloped and economically backward, the State Government would be prepared to contribute its share of 4 per cent of resources according to its population which was 4 per cent of the total population of the country.

61. In order to tackle the problem of educated unemployment, it was necessary to create conditions to encourage and attract larger investments and dispersed small industrial units. While there need not be foreign loans on Government to Government basis as most of this was not properly utilised, there should be no objection, in the Chief Minister's view to, foreign investment and foreign collaboration. Another way by which the development activities could with the limited resources be increased was by effecting economy in non-developmental and non-plan expenditure both by the Central as well as State Governments.

62. The Chief Minister observed that with better yields that were available in the agricultural field as a result of improved and high yielding varieties of seeds, better facilities in respect of credit, irrigation, fertilizers and implements, more educated persons were now taking greater interest in agriculture and were going back to land. This tendency was in the right direction and deserved to be encouraged. In the Approach paper a growth rate of 5 per cent per annum during the Fourth Plan in the agricultural sector had been indicated but in predominantly agricultural States like Orissa a higher rate had to be aimed at. Orissa was aiming at a target of 9 per cent rate of annual growth in agriculture. The Chief Minister suggested that spill-over irrigation projects from the previous Plan should be completed as early as possible as otherwise further delays and interest charges would add to their cost considerably. On the other hand, early completion would help in increased productions.

63. In view of limited resources, the Chief Minister wanted less emphasis on pilot projects and the money should be utilised for tackling the immediate problems which were well known. Stressing the need for giving special attention to chronically drought affected areas, he observed that the existing Central pattern of assistance to meet the situation arising of natural calamities was all right

for normal calamities but where natural calamities overtake any State continuously for a number of years as had been the case with Orissa, some other formula would have to be evolved and some special grant would have to be considered as otherwise the resources available to State for development become restricted.

64. He welcomed the suggestion that port facilities and communications should be developed so that there would be better facilities available for the export of raw materials. He hoped that in pursuance of this suggestion steps would be taken for provision of general cargo berths and more berths in Paradip port and that missing link between Talcher and Bimlagarh would be taken up.

65. In order to encourage literacy among Scheduled Castes and Scheduled-Tribes, the Chief Minister asked for provision of stipends and scholarships for all Scheduled caste and Scheduled tribe children who enter schools.

66. **Dr. Jagjit Singh**, Finance Minister of Punjab stated that considering the tremendous progress made by socialist countries like the U.S.S.R., from whom the idea of five year plans appeared to have been borrowed, the 5 percent rate of growth which had been suggested in the Approach paper was very much on the low side. He favoured a bigger plan and a higher rate of growth. The main cause for the inadequate achievements during the three Plans was that large sums of money had been put in uneconomic investments which did not give proper returns. The public sector undertakings, in which huge investments had been made, were not giving the returns expected of them.

67. The Finance Minister suggested that for increasing agricultural production, fertile and productive areas in the country should be chosen and efforts should be concentrated in those areas. During the last three years, Punjab had recorded a big increase in agricultural production and the Finance Minister hoped that in the next Plan the foodgrains output in the State would go up from 45 lakh tonnes to about 62 lakh tonnes. In Punjab at least 50 percent of land was lying unirrigated and if money was invested in providing irrigation to this land, and this could be done at less cost because both surface as well as sub-soil water was available there, the Punjab could feed the entire country.

68. The Finance Minister made a number of other suggestions. He suggested that effective use should be made of the large human waste for fertilizing the land. This would make some saving on imported fertilizer. In order that the production of sugarcane should be maintained for feeding the sugar industry, big collective farms to the extent of 10,000 acres of sugar-cane should be attached to every sugar factory to ensure a continuous flow of sugarcane as well as molasses. This would, while helping to avoid crises in the sugar industry from year to year, also ensure that excise revenue which was the main item of State's revenue did not fall. There should be some legislation fixing the lowest limit beyond which sub-division of land should not be permitted. Such a step would avoid reduction of land to uneconomic holdings. There should be tractor repair stations in the rural areas where repairs could be done at reasonable cost. The Finance Minister reiterated his earlier suggestion that tractors should be permitted to be sent by Indians abroad as gifts to their farmer relatives and friends in India. In plain lands, agricultural production could be increased through flood control and drainage work. This could be done by providing an upward suction system which would enable sub-soil water to be used for irrigation on the one hand and remove water logging on the other. The Finance Minister asked for the provision of one thermal and one nuclear plant in the Punjab to enable the State to have enough power for its large tube-well energisation programme.

69. In the health sector, the Finance Minister laid particular stress on health education and on

the elimination of flies and mosquitoes which would greatly reduce the incidence of disease and illness. There should be greater emphasis on preventive medicines as they would reduce the need for big hospitals. There was also need for building up mental health as this would increase the people's energy and improve their efficiency. In the field of education, he suggested that after giving normal education to children upto 11 years of age or the eighth standard, only those showing a strong promise for higher education should be given that type of education but the others, who formed the vast majority, should be given vocational or technical education so that they should earn their livelihood by adopting some profession. That should, in the Finance Minister's view, be the educational policy for the whole of India.

70. **Shri Mohan Lal Sukhadia**, Chief Minister of Rajasthan stated that for achieving 5 to 6 percent increase in agriculture each year during the Fourth Plan, an investment of Rs. 200-300 crores per year had been envisaged, which would mean that additional resources of Rs.3000-3500 crores would be needed. This, in his opinion, was going to be extremely difficult unless sizeable assistance from foreign countries or from some other source could be had. But it had been suggested in the Approach paper that foreign aid should be reduced to nearly 50 percent by the end of Fourth Plan. As such, the 5 to 6 per cent increase in agricultural production was not likely to materialise. It had also not been indicated in the Approach paper what effort at additional resource mobilisation was going to be made by the Centre. It was, however, likely that with the new scientific methods of agricultural production the percentage increase for a given investment might be higher in the Fourth Plan compared to what it was in the past. Also, the overall rate of growth would depend on how much was going to be invested in agriculture and how much in industry. In our circumstances and considering the rate of growth of population, our rate of increase on the agricultural side should be much more so that we could be self-sufficient if possible. This needed to be carefully gone into by the Planning Commission and the Finance Ministry.

71. The Chief Minister suggested that in view of the uncertain situation it would be desirable to have a core of the Plan which must be accomplished and if additional resources become available the rest of the programmes included in the outer Plan could be taken up. The Approach paper did not indicate the inter se priorities of different sectors which in planning was very necessary. In his view, the first priority in the Fourth Plan should be given to agriculture, minor and medium irrigation and electrification and provision of drinking water supply to our villages.

72. In regard to resource mobilisation, the Chief Minister was of the view that there should be an agreement at the national level to have uniform irrigation rates and sales tax rates. There was considerable evasion of inter-State sales tax and this needed to be checked.

73. The Chief Minister pointed out that during the last three Plan periods the backward States had a small share in the investment outside the State plan and that a large share had been claimed by the more prosperous States. This was clear from the paper showing the assistance disbursed by I.D.B.I., A.R.C., I.F.C., Reserve Bank, etc. circulated by the Planning Commission. Rajasthan's share of the investment in the Central public sector projects had been 1.27 percent as against its population of 4.27 percent of the total population. Similarly, its share of assistance disbursed by the Central financial institutions had been very low compared to that of other States. Because of lack of power, Rajasthan had not been able to develop industrially. The Chief Minister suggested that in the matter of licensing and financing by institutions, there should be a broad policy decision that backward States should be given preference so that the regional imbalances were reduced to the extent possible in the Fourth Plan. The Chief Minister was opposed to Central assistance being distributed on the basis of population. Removal of regional imbalances was one of the principle objectives of

national planning and as such the degree of backwardness of a State should be the main criterion for determining the quantum of Central assistance.

74. The Chief Minister suggested reservation for the small scale industrial sector in certain spheres in order that in respect of these items it may not be faced with competition from the large scale industries.

75. **Dr. B. Gopala Reddi**, Governor of Uttar Pradesh stated that the rate of growth of 5 to 6 per cent which had been suggested by the Planning Commission should not only be the overall rate of growth but it must also be ensured in almost all the States. It was unfortunate, he said, that U.P. was slipping back with the advancing of each Plan. Before planning started, U.P. contributed 15.17 per cent to the total national income. At the end of the Third Plan this average came down to 12.9 per cent. It was true the population of U.P. had increased, nevertheless its per capita income at present was very much below the national average, while it was above the national average in 1950-51. This downward trend needed to be rectified. During the first three Plans, against a total investment of Rs. 1,838 crores in Central industrial projects, U.P.'s share was only 3.8 percent while its population accounted for about 17 percent of the country's population. During the period of 1966-68, there was some improvement in respect of such investments - this being a little over 13 percent of the total investment of Rs. 566 crores in the country. The low per capita income in U.P. during the last seventeen years could be largely attributed to the fact that U.P. did not get its legitimate share in the Central industrial investment. For one reason or the other, U.P. also did not get its due share in the institutional finance. Likewise, what the commercial banks did for U.P. was also inadequate. The quantum of institutional finances as a whole was a second reason for the backwardness in U.P.

76. The Governor pointed out that the U.P. Government exercised great financial discipline so far as their expenditure was concerned and did not go in for overdrafts from the Reserve Bank. He urged the National Development Council to consider measures in the Fourth Plan which would go to reduce economic imbalance as otherwise the psychological gulf would injure national integration. In order that U.P. may be able to catch up in its march with the rest of the country, he stressed the need for a substantial acceleration in investment through higher Central assistance, increased investments by all India financial institutions and location of a large number of Central projects. If this did not materialise, the gap that existed today would be further widened. Out of the 58 most backward districts in the country, 22 were located in U.P. The scheduled class proportion was also high and was roughly about 18 per cent. The Governor urged the Planning Commission and the Central Government to take all remedial measures to rectify the deficiencies and to correct the regional imbalance and ensure that U.P.'s per capita income did not further go down in the coming Fourth Plan.

77. **Shri Dharma Vira**, Governor of West Bengal expressed himself in agreement with the general approach that had been indicated in the Approach paper. He, however, thought that a 5 per cent rate of growth in agriculture that had been suggested was somewhat low. West Bengal needed 1.6 million tonnes more of additional foodgrains to become self-sufficient. There was plenty of underground as well as overground water in West Bengal but these resources had not been tapped with the result that most of the land that could produce two or three crops was not producing more than one crop. Therefore, it was very necessary that in the Fourth Plan there should be special emphasis on agriculture in West Bengal. For agriculture, not only a number of large irrigation schemes such as Kangsabati scheme would have to be taken up but the State would have also to go in a large way for minor irrigation schemes especially shallow tubewells for the energisation of

which rural electrification would have to be extended. This would involve a very large outlay and the Governor asked for substantial Central assistance in the Fourth Plan to take up these projects. Another project which was very important from the point of view of agriculture was the drainage of Kantai and Dugdha basins. The cost of this scheme was Rs. 2-3 crores, but for one reason or the other it had not been taken up with the result that every alternative year crop worth more than Rs. 3 crores was lost by floods. The State Government would like to take up this scheme urgently and for this purpose the help of the Ministry of Irrigation & Power had already been sought.

78. The Governor drew special attention to the problem of Calcutta—its water supply, sewerage, traffic etc.—which had to be treated as a national problem outside the State plan. In this connection, he referred to the second Howrah Bridge for which the State Government was being asked to bear half the cost. He pointed out that it would not be possible within the resources of the State Government to provide money for half the cost and unless it was treated as an entirely Centrally sponsored scheme it would not go through.

79. Referring to the suggestion made in the Approach paper for the mobilisation of resources of Rs. 250 crores every year, the Governor observed that this money could not be raised through additional taxation but there was possibility of finding additional money by economising in expenditure and better realisation of tax and by tapping agricultural incomes through small savings and other methods.

80. On the pattern of Central assistance to States, the Governor expressed the view that 90 per cent of Central assistance should be distributed on the population basis and the remaining 10 per cent should be for dealing with the special problems of special areas.

81. **Shri B.N. Chakravarty**, Governor of Haryana stated that the guidelines suggested in the Approach paper were unexceptionable. So far as the target set for agriculture was concerned, 5 per cent growth was quite possible provided enough water was assured. In Haryana, irrigation potential was there but the irrigation facilities available at present were not adequate. The Governor welcomed the proposal for building up buffer stocks, storage facilities etc. In order to encourage agricultural production, the agriculturists must be assured of a steady supply of better seeds, fertilizers, tractor parts and remunerative price for their produce. The procurement price should be announced for a period of 3 to 5 years at a time in advance. In his view there should be some subsidy on the food crop so that the consumer did not suffer.

82. On the question of mobilization of resources, the Governor suggested that under the small savings scheme either the interest should be increased or it should be related to the supply of essential needs of agriculturists like assured supply of fertilizers seeds, tractor parts etc.

83. He pointed out that the Haryana Government had to incur an extra expenditure of Rs. 6 crores on dearness allowance and for a State whose total revenues were of the order of Rs. 60 crores that was a very big chunk. He also suggested that some scheme should be devised for finding employment for the retired and demobilised soldiers, of whom there was a large number in Haryana, as otherwise these soldiers might become a law and order problem.

84. **Shri V.K. Malhotra**, Chief Executive Councillor, Delhi stated that sufficient emphasis had not been laid in the Approach paper on the needs of metropolitan cities. Delhi's population had been increasing at the rate of 5 to 6 per cent every year and unless special attention was given to its requirements, it would be faced with serious problems in water supply, sewerage system, road transport, etc. Delhi being the Capital of India deserved special attention. The Plan provision for Delhi, instead of increasing, was being reduced. Shri Malhotra suggested the setting up of a separate

cell in the Planning Commission for planning for the development of the regions of U.P. and Haryana brought under the Master Plan of Delhi.

85. On the subject of mobilisation of resources, Shri Malhotra stated that there was large variation in the rates of various taxes in different States. He suggested that the National Development Council should agree to adopt a uniform tax pattern for the whole country. As regards foreign aid and foreign collaboration, he was of the view that these should be reduced immediately as continued dependence on foreign help was standing in the way of internal resource mobilisation and self-reliance. There should, in his opinion, be a limit on family expenditure. The existing licensing, permit and quota system should be rationalised in such a manner that it should eliminate favouritism and nepotism and monopolistic tendencies. He also suggested that there should be a uniform policy on prohibition and on the question of raising resources from this source in all the States.

86. On the question of education, Shri Malhotra wanted the standard of primary education to be raised and the distinction between the public schools and the ordinary schools should be done away with as otherwise it was resulting in the society being divided into two classes.

87. **Shri B.D. Bandodkar**, Chief Minister of Goa expressed agreement with the general approach to the Fourth Plan which gave special attention to the backward and economically weaker sections of the population. He pointed out that the Governments of Union Territories had to approach the Central Government for every sanction before expenditure could be incurred on any scheme and this resulted in delaying action. In order to remove this difficulty, the Central Government should, he suggested, allow greater financial authority to the Union Territories and treat them on the same leve as State Governments.

88. The Chief Minister observed that during the Third Five Year Plan and particularly during the last two years, Goa had made considerable progress. In order to increase agricultural production, irrigation facilities were required to be developed and adequate funds should be sanctioned for the purpose. Goa had a great potential for the development of fisheries, poultry and piggery. A complete survey of sea shore and rivers of Goa and the development of harbour facilities would greatly help the development of fish products which would be a good source of earning foreign exchange. Goa had considerable mineral resources which need to be exploited and this required survey of the entire land. Through exports of minerals, fish products and cashewnuts and tourism, Goa could earn large foreign exchange. The loading capacity of the Goa port needed to be considerably increased. Similarly, the railway lines should be changed to broad gauge. The Chief Minister also referred to the land reforms scheme in Goa which was proposed to be implemented.

89. **Dr. Y.S. Parmar**, Chief Minister of Himachal Pradesh stated that while the approach paper had referred to the backward areas and weaker sections of the community, the hill areas which formed 14.5 per cent of the whole country had not received any special attention. The conditions of hill areas were different and they had to be dealt with differently. The patterns and norms of the plains could not be applicable in hill areas. The people in hills had very small holdings and if their lands were taken away for either road construction or for building dams, thousands of people get uprooted and large area of fertile agricultural land get under water or road in the process. There should be a proper rehabilitation scheme for such displaced persons.

90. The Chief Minister pointed out that though the area and population of Himachal Pradesh had considerably increased consequent on the merger of the Punjab hill areas with it, there was only a nominal increase in its Plan allocation. This he pointed out, was not fair to the Union Territory considering that Himachal Pradesh occupied a very strategic position. The Chief Minister stated

that Himachal Pradesh would be needing Rs. 50 crores in the Fourth Plan for hydel generation and there was no lack of potential in this State. He supported the idea of an all-India grid. He urged that while planning for the country the interest of the poorer and the smaller States should be kept in the forefront.

91. **Shri Koireng Singh**, Chief Minister of Manipur stated that Manipur being a Union Territory, the Central Government in the Ministry of Home Affairs was largely responsible for its planning and for providing necessary resources. For its industrialisation, the Union Territory had been asking for the setting up of a paper mill, a cement factory and a spinning mill as the required raw material was locally available and he hoped that such a provision would be made in the Fourth Five Year Plan of Manipur. He was glad that at least a token provision of Rs. 1 crore had been made for Loktak lake project. This was a multi-purpose project which would enable enough land to be brought under cultivation, cheap power to be generated and lift irrigation to be introduced, thereby saving the valley of Manipur from floods. The feasibility report of this project had already been submitted to the Central Water & Power Commission for consideration and technical sanction. The Chief Minister urged that this should be expedited and adequate funds should be provided in the Fourth Plan for Manipur.

92. **Shri A.S. Kankeyan**, Finance Minister of Pondicherry stated that though Pondicherry and certain other Union Territories had their own legislatures and Ministries they had to approach and depend on the Central Government for sanction of each little scheme and expenditure even within the Plan allocation. Though from the point of view of size, Pondicherry was a small territory, its density of population was high and the majority of the population was dependent on agriculture and their standard of living was comparatively low. Over the years the Administration had built up an adequate techno-administrative machinery which was capable of implementing a plan of nearly Rs. 3 to 3½ crores per annum. The Chief Minister, therefore, urged that the Fourth Plan for Pondicherry should provide for an outlay of about Rs. 18 crores. A Plan of lesser dimension would not maintain the tempo already created during the earlier Plan periods and take care of the continuing and spill-over schemes besides providing for essential new schemes for the development of this Union Territory.

93. Pondicherry had no large scale industrial project in the public sector or in the private sector though there were excellent facilities like railways, port, cheap harbour etc. The Chief Minister, therefore, asked for provision to be made in the Fourth Plan for locating some large scale industrial project in Pondicherry so as to improve its economy and to create adequate employment opportunities.

94. **Shri S.L. Singh**, Chief Minister of Tripura stated that as a land reform measure and in pursuance of the policy of abolition of zamindari and talukdari it should be considered how the land and possession rights therein should be given to the tillers so that the middle man was eliminated. The forest labourers in Tripura should be encouraged to set up their own cooperatives for marketing their produce instead of doing it through the middle man. Similarly, credit facilities should be given to the village artisans so that their conditions improve and they should also form their own cooperatives. The Chief Minister also referred to the refugee problem as a result of migration of evacuees from East Pakistan to Tripura. This problem should, he suggested, be tackled as a national problem. 20 lakhs acres of land were lying fallow in Tripura and this needed to be brought under cultivation. High yielding and better varieties of seeds should be introduced, scientific methods of cultivation should be propagated, chemical manure and pesticides should be supplied and flood protection works should also be executed urgently so that Tripura could be made self-sufficient.

The Chief Minister also asked for improvement in the communication systems and development of irrigation facilities.

95. **Shri Morarji Desai**, Deputy Prime Minister stated that except for one Chief Minister there was general agreement on the approach. No one could possibly disagree with the objective of growth with stability. This meant that there should be stability of prices and also steady growth. Some of the members had observed that the Approach paper did not spell out how this could be achieved. The Deputy Prime Minister pointed out that this could be done after the discussions had taken place and the plans had been framed.

96. Referring to a feeling of disallusionment with the previous Plans expressed in some quarters, the Deputy Prime Minister stated that the target set out in the First and Second Plans had been largely achieved; it was only in the Third Plan that some difficulties had come up. It was of great importance that a wrong feeling should not be created in the country as emphasising only the failures and not referring to our achievements would lead to general despondency. There had been outside factors not within our control which were largely responsible for many of the difficulties in the Third Plan. He agreed that there had been mistakes or faults and these needed to be corrected.

97. Referring to the general criticism which had been voiced about public sector undertakings, he stated that it was not correct to make a sweeping statement that public undertakings had not been doing well. It was true that some of the complexes, specially steel plants, HEL, Neyveli and NCDC had incurred losses but the rest did make profits. The investments in these five or six projects were very large and therefore it appeared that there was a loss. On this also, it was too early to condemn them because they were capital heavy projects. Perhaps, more capital had been invested in them than what it should have been but this happened because we did not have the necessary experience in the beginning. If large investments had not been made in steel plants or in some of the capital intensive projects, our progress would not have been what it was today. The country had to move towards self-sufficiency in basic materials. There was a large degree of agreement that foreign aid ought to be progressively reduced. Without making the country self-sufficient in the matter of metal production and machinery production it would not be possible to build up self-reliance and cut down imports. The administrative Reforms Commission had made some re-commendations for improvements in the working of the public sector undertakings and steps were being taken to change the pattern of management, giving the undertakings more powers and trying to see how best they could be made to become paying as soon as possible.

98. Referring to the question of Centre-State financial relationship, which had been raised, the Deputy Prime Minister stated that the Centre did not have unlimited sources for raising resources and a major portion of the Central resources were given to the States as grants, loans and advances for different purposes including their Plan and the Centre needed the sources for meeting the development requirements of the country as a whole.

99. Coming to regional imbalances, he stated that while it was our aim to reduce regional imbalances and with that object steps must be taken to improve conditions in the backward areas, it was necessary to achieve a balance between the need of back-ward areas and deployment of resources in such a manner as to get high returns for the country as a whole.

100. As regards allocation of Central assistance there were two distinct views. Those who had a large population in the States wanted it on a population basis and those who had a small population and those who were backward wanted that they should be helped more. The Centre had to take an overall view and help those who required to be helped more. Referring to the complaint of Union

Territories of inadequate provision for their Plans, he pointed out that while the per capita assistance from the Centre for all the States taken together was Rs. 18, for the Union Territories it was Rs.65 and for Delhi it was Rs.70. The Planning Commission was most anxious to make the most equitable distribution and in the best manner possible and would like to have proper guidance for effecting improvement in this. The Deputy Prime Minister gave figures of per capita Plan outlay and Central assistance during the years 1966-67, 1967-68 and 1968-69 for different States.

101. The Deputy Prime Minister pointed out that on account of debt repayments which were going on increasing the foreign aid even if kept at the same level as during this year would in substance get automatically reduced to half or even less than half. It was, therefore, necessary to ensure that import substitution was taken up at a faster rate and this required creation of a climate whereby what was produced or could be produced in the country should be made use of and import should be resorted to only where absolutely necessary. That would give a fillip to the indigenous production and help in cutting down imports.

102. Coming to the question of resources, the Deputy Prime Minister stated that the 5 per cent growth rate which had been suggested was absolutely necessary because half of it would be absorbed by the increasing population. The requisite growth could be had only if the resources were provided. Taxation was not necessarily the only means by which the resources had to be found. Direct taxes had reached the limit and receipts from them could not be increased further except through higher incomes and better recoveries, etc. Evasion had, of course, to be plugged and in the current budget several steps had already been taken in this direction. There was not much scope for effecting any large savings at the Centre. Every effort would have to be made both by the Centre and the States to raise resources required for the Plan. In the rural areas, agricultural sector was making good profits but there it was not possible to tax very heavily and taxation was not always necessary. But if they could be made to save and their savings could be utilised for capital expenditure, good returns would follow. That was one of the ways by which the plans could become better and higher growth could be had. The Deputy Prime Minister urged the State Chief Ministers not to give up any resources without finding alternative resources because for development much larger resources were needed.

103. Summing up the discussion, **Dr. D.R. Gadgil**, Deputy Chairman stated that in regard to the growth rate in agriculture, on which there was considerable discussion, it was broadly agreed that the 5 per cent growth was possible. The Planning Commission's paper on Approach to the Fourth Year Plan, which had been placed before the Council, indicated certain broad approaches and certain specific emphasis for consideration of the Council. With the general clearance of the Council, the Planning Commission would now go ahead and prepare a more specific programme. That would be prepared in consultation with the State Governments and Central Ministries concerned and a more detailed picture would be put up at the next meeting of the National Development Council. He referred to some of the important points made by the Chief Ministers e.g., the importance of fertilizer, irrigation etc., emphasis on animal husbandry, integrative connection between the village sanitation and agricultural production and incentive price and stable price. These and similar other ideas would be followed up. Deputy Chairman observed that it had been generally agreed that the rate of growth would be 5 percent in agriculture and 8-10 percent in industry and on that basis the overall rate of growth would be worked out. Some of the Chief Ministers had expressed doubts regarding the possibility of 7 per cent export considering that not even 5 percent average had been achieved in the past. In view of the fact that a much larger resource mobilisation was aimed at during the Fourth Plan, the export target was also kept higher. That would require special efforts to be made in each sector and the programmes to be worked out in detail in close consultation with

the interests concerned. The Deputy Chairman sought the cooperation of all the Chief Ministers in the job of working out of details. He appreciated the emphasis and concern which had been expressed for the common man and the weaker sections and stressed the importance of economic rehabilitation of these categories of small farmers, landless labourers, artisans etc.

104. Deputy Chairman stated that debate on the Approach to the Fourth Plan would be extended all over the country. The Planning Commission proposed to discuss with representatives of various sectors—industrialists, cooperators, agriculturists etc., so that within the next three months much wider guidance was available in the framing of the Plan.

105. **Prof. V.K.R.V. Rao**, Union Minister of Transport and Shipping stated that the basic problem of whether the economy was being taken in terms of expectations that had been laid before the country had not been discussed. Against the total investment, the overall rate of growth was put at 6 percent. The additional income that would accrue during the five-year period was Rs. 30,000 crores of which about Rs. 4,500 crores was going to be by way of additional resources. It thus seemed that the date by which it would be possible to raise the per capita income and reach the target which had been originally fixed was going to be pushed back by another three or four years.

106. Prof. Rao suggested that the National Development Council, which was the highest national and political body, consisting as it did of Chief Ministers of States and Ministers of the Central Cabinet, should at a special meeting make a careful review of what was going to be the pattern of society we were evolving, where we had gone so far with the kind of our planning, whether any change was needed in the socio-economic structure and in the methods of financing and mobilisation of resources, what could be done to take the country forward much earlier and much quicker and whether it was possible to promise the people of India that they would have a minimum decent income within a definite and foreseeable future.

107. The Prime Minister said that she welcomed Prof. Rao's suggestion, but being a democratic set up where different ideologies were represented she was not sure whether such a meeting would yield any fruitful result. At the same time, the resources being our main problem it was worthwhile considering ways and means by which the resources could be increased and mobilised for the rapid development of the country. She agreed to consider calling such a meeting.

108. Concluding the deliberations, the **Prime Minister** observed that some of the States instead of trying to find ways and means of increasing the resources—were giving up even the existing sources. In view of the need for larger resources for economic development the Centre and the States should in cooperation with each other try to strengthen the base for a more rapid development. She said that in the light of the discussion it could be taken that there was a general consensus in the Council on the acceptance of the approach to the Plan as it had been put by the Planning Commission inspite of certain smaller differences and even certain divergence in individual approaches of the different States.

109. The Prime Minister thanked the members of the National Development Council for sharing their views and difficulties inspite of the sense of disappointment which was there. Disappointment was bound to be there because naturally we would like to go much faster, do many more things and above all resolve the social injustices, inequalities and disparities. But that disappointment should be used to spur us on faster in the mobilisation of resources, in cooperating together and in evolving steps which would take us ahead much faster. Finally, she requested the members of the National Development Council to extend their full help and cooperation so that the Planning Commission may go ahead with the formulation of the Fourth Five Year Plan.

110. On the other two items relating to (1) Principles for the distribution of Central assistance and (2) Patterns of Central assistance for Centrally aided and Centrally sponsored schemes, which had been placed before the National Development Council for consideration, it was decided that a committee of all State Chief Ministers with the Deputy Chairman, Planning Commission, as the Chairman should be set up which should go into these. It was also agreed that the Union Ministers concerned should be associated when the Centrally aided/sponsored schemes relating to their sectors were taken up for consideration by the Committee.

PARTICIPANTS

PLANNING COMMISSION

Shrimati Indira Gandhi	.. .. ..	Chairman
Dr. D.R. Gadgil	.. .. ..	Deputy Chairman
Shri Morarji R. Desai	.. .. ..	Dy. Prime Minister and Minister of Finance
Shri R. Venkataraman	.. .. ..	Member (I)
Shri B. Venkatappiah	.. .. ..	Member (A)
Shri Pitambar Pant	.. .. ..	Member (P)
Dr. B.D. Nag Chaudhuri	.. .. ..	Member (S)

STATES

Andhra Pradesh	.. .. ..	Shri K. Brahmananda Reddy, Chief Minister
		Shri V.B. Raju Revenue Minister
		Shri K.V. Narayan Reddy Planning Minister
Assam	.. .. ..	Shri B.P. Chaliha Chief Minister
		Shri K.P. Tripathi Finance Minister
Bihar	.. .. ..	Shri Bhola Paswan Shastri Chief Minister
		Shri K.K. Singh Finance Minister
Gujarat	.. .. ..	Shri Hitendra K. Desai, Chief Minister
		Shri J.M. Mehta Finance Minister
Haryana	.. .. ..	Shri B.N. Chakravarty, Governor

Jammu & Kashmir	.. .. ..	Shri G.M. Sadiq, Chief Minister
		Shri D.P. Dhar, Finance and Planning Minister
		Shri G.L. Dogra Law and Rehabilitation Minister
Kerala	.. .. ..	Shri E.M.S. Namboodripad, Chief Minister
Madhya Pradesh	.. .. ..	Shri Govind Narayan Singh, Chief Minister
		Raja Virednra Bahadur Singh, Development and Planning Minister
Madras	.. .. ..	Shri C.N. Annadurai, Chief Minister
Maharashtra	.. .. ..	Shri V.P. Naik, Chief Minister
		Shri S.K. Wankhede, Finance Minister
Mysore	.. .. ..	Shri Ramakrishna Hegde, Finance Minister
Nagaland	.. .. ..	Shri T.N. Angami Chief Minister
		Shri Hokishe Sema Finance and Planning Minister
Orissa	.. .. ..	Shri R.N. Singh Deo, Chief Minister
Punjab	.. .. ..	Sardar Lachhman Singh Gill, Chief Minister
		Dr. Jagjit Singh, Finance Minister
Rajasthan	.. .. ..	Shri Mohanlal Sukhadia, Chief Minister

		Shri Mathura Dass Mathur, Planning and Finance Minister
Uttar Pradesh	.. .. ..	Dr. B. Gopala Reddi Governor
West Bengal	.. .. ..	Shri Dharma Vira Governor

UNION TERRITORIES

Chandigarh	.. .. ..	Dr. M.S. Randhawa, Chief Commissioner
Delhi	.. .. ..	Shri A.N. Jha, Lt. Governor
		Shri V.K. Malhotra Chief Executive Councillor
Goa, Daman & Diu	.. .. ..	Shri B.D. Bandodkar Chief Minister
		Shri A.K.S. Usgaonkar Planning and C.D. Minister
Himachal Pradesh	.. .. ..	Dr. Y.S. Parmar Chief Minister
Manipur	.. .. ..	Shri M. Koiren Singh Chief Minister
Pondicherry	.. .. ..	Shri V. Venkatasubbha Raddiar Chief Minister
		Shri A.S. Kankeyan Finance Minister
Tripura	.. .. ..	Shri S.L. Singh Chief Minister

UNION MINISTERS

Shri Fakhruddin Ali Ahmed	.. .. ..	Minister of Industrial Development and Company Affairs
Shri Y.B. Chavan	.. .. ..	Minister of Home Affairs

Shri Jai Sukh Lal Hathi	.. .. ..	Minister of Labour, Employment & Rehabilitation
Shri Jagjivan Ram	.. .. ..	Minister of Food, Agriculture, Community Development and Cooperation
Shri Ashok Mehta	.. .. ..	Minister of Petroleum Chemicals and Social Welfare
Shri P. Govinda Menon	.. .. ..	Minister of Law
Shri C.M. Poonacha	.. .. ..	Minister of Railways
Prof. V.K.R.V. Rao	.. .. ..	Minister of Transport and Shipping
Dr. Triguna Sen	.. .. ..	Minister of Education
Shri Dinesh Singh	.. .. ..	Minister of Commerce
Dr. Karan Singh	.. .. ..	Minister of Tourism and Civil Aviation
Dr. Ram Subhag Singh	.. .. ..	Minister of Parliamentary Affairs and Communications
Sardar Swaran Singh	.. .. ..	Minister of Defence
Shri Satya Narain Sinha	.. .. ..	Minister of Health, Family Planning and Urban Development
Shri K.K. Shah	.. .. ..	Minister of Information and Broadcasting
Dr. K.L. Rao	.. .. ..	Minister of Irrigation and Power
Shri Jagannath Rao	.. .. ..	Minister of Works, Housing and Supply
Shri B.R. Bhagat	.. .. ..	Minister of External Affairs
Shri P.C. Sethi	.. .. ..	Minister of Steel, Mines and Metals

SPECIAL INVITEES

Shri J.J. Anjaria	.. .. ..	Deputy Governor, Reserve Bank of India.
Shri P.N. Damry	.. .. ..	Deputy Governor, Reserve Bank of India.