

APPROACH

TO THE FOURTH

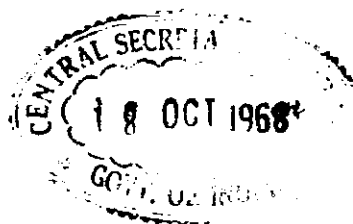
FIVE YEAR PLAN

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**APPROACH
TO THE
FOURTH FIVE YEAR PLAN**



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FOREWORD

The Constitution lays down general directives for economic and social policy of the State, and successive Plans have elaborated the aims and objectives of planned development. A strategy of Indian planning has evolved during the three Five Year Plans. The Fourth Five Year Plan is being framed in the light of all these. However, from time to time situations change and new problems arise. Each five year plan has to take into account its particular context and try to make the required adjustments. This is specially the case with the Fourth Five Year Plan which is being framed after a period of three annual Plans.

The resolution of Government, reconstituting the National Development Council (in October 1967), redefines the functions of the Council. The first function of the Council is "to prescribe guidelines for the formulation of the National Plan, including assessment of resources for the Plan." The main purpose of this paper on the Approach to the Plan is to seek guidelines from the Council. It is hoped that in the coming months, it will also serve as the basis of a lively discussion in the country of the various problems connected with the formulation of the ensuing Five Year Plan.

Because of its limited purpose, no attempt has been made in this paper to review the achievements and failures of planning effort so far or to cover all aspects or items. Attention has been concentrated chiefly on three areas. First, feasible rates of growth have been indicated as also possible progress in the direction of becoming free from dependence on foreign aid. These objectives have been related to policies regarding imports and efforts at increasing exports and to additional resources required to be raised in the public sector for attaining given rates of growth. Second, proximate

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objectives in the major sectors of activity have been defined, areas in which special effort is required or a shift of emphasis is needed have been identified, and some specific programmes of action which are proposed to be undertaken, indicated. Third, attention has been drawn to measures needed to maintain stability in the economy and to a set of consistent economic policies which could direct the operation of the mixed economy so as to lead to the fulfilment of Plan objectives. In integrating the various policies, measures and programmes of action in the Approach, attempt has been made to resolve possible conflicts between the claims of production and distribution, of development and employment.

The formulation of the Approach and the specific proposals that follow are based on an analysis of the economic situation and an assessment of the potential. The statement that the economy is now capable of growing at the rate of 5-6 per cent is based on reasoned calculation. We are convinced that, given determined, well-directed and fully co-ordinated internal effort, planned economic progress can be accelerated.

D. R. GADGIL

New Delhi
12 May 1968

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I. OVERALL APPROACH TO THE FOURTH PLAN

Growth, with stability, is the main aim of the Fourth Five Year Plan. Experience of recent years has emphasised the importance of maintaining relative stability. During this period, instability has been associated chiefly with wide fluctuations in agricultural production and with a rapid rise in prices. To meet the situation arising out of such fluctuations in agricultural production, it appears necessary to build buffer-stocks of the main agricultural commodities. These buffer-stocks could, in part, even out physical supplies between years. They could also be utilised for stabilising the levels of agricultural prices. Buffer-stocks could, of course, effectively serve these purposes only in the context of a steady rise in agricultural production. Stabilisation of agricultural prices would help in checking a general rise in prices. However, for doing this adequately, it would also be necessary to guard against the generation of any strong inflationary pressures. This can be done if the programme of investment in the public and private sectors is backed by adequate mobilisation of resources in both sectors.

2. Recent developments in agricultural production indicate that it might be reasonable to expect and aim at a growth rate of about 5 per cent in the agricultural sector during the Fourth Plan. The industrial sector is also capable of growth at a rate of 8-10 per cent per annum. As there has been relatively slow growth of industrial activity in the last three years and as the present industrial structure is more diversified than in the past, an increase of 8 to 10 per cent per annum, which has been achieved in the past, appears feasible. On the basis of these considerations, an overall rate of growth of 5-6 per cent per annum (compound) appears practicable. In drawing up the Fourth Plan, it will be necessary to spell

out in physical and financial terms what can be done in agriculture, industry and other sectors of economy during the Plan period. It may be noted that much of the investment to be undertaken between 1969-70 and 1973-74 is already committed on the basis of projects under implementation or approved. It will, at the same time, be necessary to initiate work on the long gestation schemes which will be needed for the Fifth Plan.

3. A major objective of the Fourth Plan is to move towards self-reliance as speedily as possible. A process of development sustained by continuous foreign aid cannot be healthy. The attempt should, therefore, be to reduce foreign aid inclusive of food aid—and net of interest and loan repayment—to about half the present level by the last year of the Fourth Plan. This will entail concerted effort both in reducing imports and increasing exports.

4. At present, over three-fourths of our current exports are in traditional commodities. These are subject to fluctuations not only on account of international market conditions, but also due to constraints of supplies during adverse years, based as most of them are on agricultural raw materials. The general approach for stabilisation of agricultural prices and supplies through buffer-stocks and purchase-sale arrangements should in part look after this. There would also have to be special investigations into new types or varieties of agricultural products with international demand and inducements given to increase their supply. Where domestic consumption of these products has to be restrained in order to make physical availability of supply for export, the means used will have either to be imposition of excise or direct purchase by a State agency for export. There will also have to be special programmes for research and market surveys in order to find new uses and new markets for traditional export commodities and adequate measures will have

to be taken for augmenting their production and availability for export.

5. A significant contribution in increasing exports has to come from non-traditional commodities. In embarking on an export drive in non-traditional items, a selective approach may be adopted. Items which seem to provide the maximum scope on a long-term basis will have to be selected for the purpose of developing export markets. The prospects of long-term trade agreements for export may also be explored. From the point of view of long-term demand and immediate and potential supplies, the commodities which seem to merit consideration are iron ore, iron and steel, engineering goods and chemicals. The integrated facilities required for the development of iron ore deposits, including appropriate port and transport facilities should, therefore, have a high priority in the Fourth Plan. In the field of iron and steel, the recent performance has clearly shown that, with some measure of promotional effort, exports can be substantially stepped up. Similarly, engineering goods provide an important potential for expanding non-traditional exports. However, a set of considerations would be relevant if this potential is to be fully exploited. The market for our engineering goods would primarily lie in the developing countries, though, in some of the simpler items, the developed countries are also offering to purchase from this country on the basis of their own production facilities being diverted for more sophisticated products.

6. Trade with developing countries would require provision of technical and financial assistance along with engineering goods. Very often, turn-key projects are sought and consultancy services become paramount for the sale of machinery and equipment. Faced, as these countries are, with adverse trade balances and with alternate sources of supply on a deferred payment basis, it would be possible to step up our exports of engineering goods to developing coun-

tries only within the framework of comparable deferred payment arrangements on exports. Given these facilities, the scope for expanding the export of engineering goods is large and growing. In the chemical industries, exports will be primarily in drugs and pharmaceuticals (in which we have surplus capacity), plastics, plastic products and synthetic fibres (the capacity for which is being substantially expanded). In a variety of other products, like cement, paper, caustic soda, soda-ash etc., there are no constraints from the side of supply, but exports have become difficult on account of the high domestic prices.

7. Another direction in which it is possible to increase foreign exchange earnings is through the development of tourism. Steps were initiated in the Third Plan to provide basic facilities and services at important tourist centres. These will have to be expanded and other arrangements made to attract foreign tourists. Similarly, in the field of other invisibles, the development of shipping is of great importance. Consultancy services for use at home and abroad can also increase earnings as well as save foreign exchange. A concentrated drive in the whole field of 'invisibles' will help to improve the balance of payments position.

8. Reduction in imports is a difficult task and presupposes a large programme of import substitution and elimination of all non-essential imports. As the economy picks up, some increase in imports must be expected, particularly in the case of certain essential components and raw materials, such as non-ferrous metals, mineral oils and fertiliser materials for which our natural resources are not sufficient to step up domestic production. To offset this, it will be necessary to see that other imports are kept down to the minimum. In view of the improved prospects in agricultural production, it appears desirable to take a decision that all imports of foodgrains under concessional terms, such as under PL 480 cease within the next three years. Some im-

ports of long-staple cotton may still be needed for another year or two, but the aim should be to see that imports of other agricultural commodities, except on normal trade terms, cease as soon as possible. Fertiliser imports are also capable of being brought down to more manageable proportions through domestic production. While complete self-sufficiency in certain categories of steel may not be possible, steel imports can be matched progressively through exports of surplus products. This will, however, entail better port and shipping facilities than are available at present. Another large item is machinery and transport equipment. With a fairly diversified engineering capacity already built up in the country and with its further planned development, the share of import in the total supply of machinery could be progressively reduced. It should also be possible to do without some categories of dispensable imports, *e.g.*, the use of sulphur in the production of sugar may perhaps be eliminated. Thus, barring components which may be of a specialised nature and raw materials like non-ferrous metals and mineral oil, significant reductions in imports of other items can be secured through a programme of import substitution. It should be one of the tasks of Working Groups and Panels set up for the Fourth Plan to conduct close and careful studies of this question.

9. Having taken measures to keep down imports to the minimum, the amount by which it will be possible to reduce the foreign aid net of interest and loan repayment will depend on the extent to which we can raise the rate of exports in the coming five years. Broad calculations reveal that, to reduce net foreign aid to half its present level, it will be necessary to raise exports by about 7 per cent per annum. The best period for exports so far has been from 1958-59 to 1964-65 when a compound rate of growth of 4½ per cent was achieved. This will show that the task of reducing the net foreign aid to even half its present level may in fact be

very difficult. Every attempt should, however, be made to reach it through long-term trade agreements for export as well as through increase in free foreign exchange earnings in the open market. The level of our success will determine the extent to which the net foreign aid can be reduced. It will be necessary to set out the export programme in terms of specific measures which will be needed to ensure results.

10. To attain a rate of growth of 5 to 6 per cent per annum, whilst at the same time reducing the net foreign aid to half of the present level, will call for a much greater effort in raising domestic resources. 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. For a 5 per cent rate of growth, the average rate of domestic savings will have to be stepped up from the current level of about 8 per cent to around 12 per cent. In the public sector, this would imply additional resource mobilisation to the extent of about Rs. 200 crores during each year of the Fourth Plan. A rate of growth of 6 per cent would call for greater effort and involve mobilisation of additional resources to the extent of Rs. 250 to 300 crores per year by the Centre and the States, but it will build up a sound base for future growth.

11. The means to be employed to raise these additional resources will include loans, profits of public enterprises through better performance and price adjustments, a more effective drive in the field of small savings, particularly in the rural areas, and also additional taxation. The kind of measures required in all these fields will have to be carefully worked out to ensure that resource mobilisation of this order is practicable and acceptable. All that can be said at this stage is that this order of mobilisation, while difficult, seems to be inescapable if we are to attain a rate of growth of 5 to 6 per cent during the Fourth Plan period and reduce the reliance on the net foreign aid to half by the end of the Plan

period. Some reduction in the resources available for plan outlay may be expected as a result of current plan expenditure becoming committed non-plan expenditure. In the circumstances, additional resource mobilisation will be necessary even to maintain the 1968-69 level of plan outlay.

12. Foreign collaboration and the import of foreign know-how is connected with the question of foreign aid. The general approach to both these has to be the same as that in relation to foreign aid and import substitution, *i.e.*, we must make every effort to attain self-reliance even in this respect. Foreign collaboration must, therefore, be looked upon as something which may be resorted to only for meeting a critical gap. Obviously, therefore, foreign collaboration in the production of any consumer goods, whether it can be produced within the country or not, is ruled out except in the interest of larger exports. Also, foreign collaboration in directions in which indigenous effort can immediately or within a short time provide the services or goods or a substitute for them, ought not to be allowed. It has to be emphasised that the costs of foreign collaboration are very heavy. In a large number of instances, the costs of capital goods imported under collaboration schemes are much higher than they need be and in the composition of such imports, economy or efficiency in production are not necessarily looked after. Moreover, collaboration usually means an initial import of technicians and a continuing stream later, which could well be avoided and whose acceptance downgrades and discourages our own technicians. Therefore, it is necessary, as a policy, not only to limit the sphere within which foreign collaboration will be allowed, but to subject every scheme of foreign collaboration to fairly rigid tests.

13. Import of foreign know-how is in a somewhat different category. Such import, especially as a once-for-all action, may be found advantageous in a number of instances. Wherever efforts at indigenous adaptation are likely to be

too costly in terms of investment of time and/or money and where the import allows free scope to our own technicians for improvement and adjustment later, foreign know-how required for the proposed programme of industrialisation should be allowed under standard terms and conditions.

II. AGRICULTURE

In the agricultural sector, the main endeavour has to be two-fold : first, to provide the conditions necessary for a sustained increase of about 5 per cent per annum, over the next decade, in agricultural production; and second, to enable as large a section of the rural population as possible—including the small cultivator, the farmer in dry areas and the landless labourer—to participate in development and share its benefits.

2. The high-yielding varieties and other similar programmes, which constitute the 'intensive development' approach to agriculture, have proved successful. Every effort should be made to extend these programmes in the irrigated areas as well as in areas of assured rainfall. Adequate attention should be given to the special problems which they raise in such spheres as supply, distribution and credit, and also plant protection and research, generally. It will also be necessary to extend the 'intensive development' approach to pulses and other food crops as well as commercial crops, such as cotton and jute, where the impact of the programmes has not yet been substantial. It is, at the same time, necessary to pay immediate attention to research which will enable maintenance of the rate of growth in agricultural production when present programmes are fully worked out. Research, education and extension are the essential ingredients for advancement in modern agriculture. It is also necessary to pay increasing attention to the problems of non-irrigated areas, particularly those in which rainfall is negligible or uneven, and of the small farmer. These will entail evolving, through research, a series of programmes and practices which are likely to yield a significant increase in agricultural production in the dry areas as well as indicate

measures of direct benefit to the small farmer. In the irrigated areas or those with assured rainfall, the small farmer should be encouraged to use the high-yielding varieties of seed and other modern agronomic practices which maximise yields and, to this end, positive steps should be taken to ensure that he gets the necessary inputs—water, seed, fertiliser, credit, etc.—on time and that arrangements for marketing and processing of his produce are available. He must be positively encouraged to move away from subsistence farming and to have a commercial approach to agriculture through maximising production in whatever crops provide the best return.

3. In dry areas, there has as yet been no major breakthrough in research. It is essential that research is supported through adequate funds and personnel to find solutions to the problems of such areas. The small farmer in these areas is extremely hard-pressed and can, at best, supplement his income by ancillary means, such as animal husbandry. The plan should enable him to do so. Public investment and assistance are chiefly needed for adapting modern technology to provide an economic base for the activities of the small farmer and to build the superstructure needed to make small-scale operation viable.

4. While agricultural development will provide opportunities to farm labour for fuller and more remunerative employment, it will be necessary to devise programmes for supplementing their income. This may take a variety of forms such as keeping milch-cattle, poultry raising and pig breeding. For the success of these ancillary activities, it will be necessary to provide adequate credit and organise marketing facilities.

5. The new varieties of crops in the irrigated areas and the changed crop patterns made possible by them require a flexible water supply. This necessitates a change in water management and distribution procedures on existing irriga-

tion projects, many of which were designed for single-crop irrigation and protective purposes rather than for maximising production. The new possibilities also emphasise the need for exploiting sources of both surface and underground water, through all available means, in an integrated manner.

6. In view of the considerable progress already made in intensive, irrigated agriculture, it is necessary to see that finance for further development of this sector comes increasingly from the sector itself. Large farmers should progressively plough back more of their own resources for development purposes. This phased shift to self-financing by medium and large farmers is a corollary to the large incomes that accrue to them through modern agriculture. It may also be expected that the investment of such institutions as cooperative Land Development Banks and Central Banks will become self-financing to an increasing extent.

7. For the small farmer, it will be necessary to make special arrangements both for institutional credit and State assistance. The investments on tubewells and other minor irrigation facilities may have to come from the State either directly or in the form of loans. Further, the small farmer would have to be provided with a larger amount of institutional credit than at present; such credit would represent a higher proportion of his individual requirements than in the case of the large farmer.

8. Moreover, wherever possible, a large number of production and distribution activities for the rural economy may be handed over to cooperative and other agencies. Multiplication and distribution of seeds, production of manure mixtures and distribution of fertilisers, production of pesticides and their distribution may be entrusted to cooperative agencies progressively, but not necessarily confined to them.

9. All of this indicates that the operational plan of agricultural development should not only be district-based, but should have, as its core, the provision of services, inputs

and resources—marketing, fertiliser and credit (short-term, medium-term and long-term)—through institutional means. Within a broad pattern, the agencies used for this provision may differ from district to district even within the same State. In the context of a particular district, the appropriate course may be for the Central Cooperative Bank to be strengthened in regard to share capital, etc., beyond the general formula for the State as a whole. It may be necessary to strengthen the District Land Development Bank or to establish a branch of the State Land Development Bank in the district. An appropriate measure may be to establish a “Development Section” (e.g., for special types for credit to small holders, etc.) with earmarked funds, within the Central Cooperative Bank itself. Also, special devices like supervised credit may be experimented with. If the cooperative institutions show no promise of being adequate, it will be necessary to think of other institutions or consider how far the commercial banks can serve the purpose. The main point is that a great deal of agricultural activity—from the point of view of supporting services, such as supply of seed, fertiliser and credit, processing, marketing and storage—can in fact be institutionalised, though not necessarily to a set pattern in each district. In particular, the treatment would have to be different as between a district that is highly developed agriculturally and another which is not. It is, however, important, wherever possible, to develop an institutional form of organisation which gives promise of striking root and surviving. It is by adopting an operational approach, such as the one outlined above, that we may be able to identify and deal with the problem of small farmers, dry farmers, etc., in the specific context of their own environment. There may be need for proceeding by stages. There will also be need for pilot experiments under different conditions.

10. A programme of rural development should also progressively pay greater attention to economic improve-

ment of landless labour and the categories which have been comprehensively included under the term "weaker sections". The problem of landless labour can be solved only by providing adequate and appropriate employment opportunities. Integrated district development will emphasise minor irrigation, conservation and development of all natural resources. Such development will lead to special programmes being undertaken for improving communications and providing other parts of the infra-structure in all areas where they are at present under-developed. These will provide a programme of rural works which, with proper phasing in time and location and adequate organisation, could significantly relieve rural under-employment. As such, a separate 'Rural Works' programme will not be necessary. The problems of the weaker sections are diverse and special programmes will have to be devised for each situation. Immediately, attention will have to be concentrated on designing a large number of pilot projects on the basis of whose results programmes of generalised action could be framed.

11. Land reforms acquire an added importance in the present context. It is more than ever necessary to bring about a sense of security for the tenant—the share-cropper in particular—and provide greater incentive for him to increase production from the land he cultivates. The gaps in tenurial legislation should be quickly filled and tenancy laws and other measures of land reform should be properly enforced. It is also necessary to pursue vigorously the process of consolidation of small holdings in different States and complete it as early as possible.

12. Organisational problems, such as the integration of the staff of Community Development with the normal Department, may have to be examined and suitable solutions found. The solutions may differ from one area to another.

13. Because of the existing pressure of population on land, improvement in the organisation of agriculture becomes

increasingly difficult as long as large annual additions to the working population have to be supported on land. Therefore, it is a pre-condition of improvement of agricultural productivity that employment in non-farm occupations should grow at a much higher rate than that of the labour force. In the growth of such non-farm employment, the central position is held by increase in industrial activity. To the extent, therefore, that rural industries, handicrafts using local materials, and processing plants for agricultural products can be established, the development of industry would prove of great value to the development of agriculture.

III. INDUSTRY

The Industrial Policy Resolution of 1956 will continue to govern the main policy of industrial development during the Fourth Plan. The objectives in the Fourth Plan would be :

- (i) to bring about conditions within which the maximum utilisation of capacity already built up is achieved;
- (ii) to ensure that new investments are undertaken in accordance with plan priorities, making due allowance for long-gestation projects, particularly those dictated by the need to increase exports and limit dependence on imports;
- (iii) to encourage the emergence of wide-spread entrepreneurship and a greater dispersal in the ownership and control of industries; and
- (iv) to achieve all this with a minimum of controls.

2. The strategy of industrial development has to be considered against this background. The programme of industrialisation during the Fourth Plan should (i) provide for the industrial and technological capacity and competence needed for self-reliant industrial progress continuously, (ii) develop capacities in directions appropriate to the export performance and import limitation indicated in the Plan by the balance of payments situation, and (iii) organise capital and personnel resources in such a way as to achieve as widespread an industrialisation of the country as possible.

3. For the fulfilment of the first two objectives, a programme of action in the public and private sectors will have to be drawn up. This will have to be broken down into individual projects formulated after detailed examination

with full provision made for finance, supplies and other facilities. For industries included in these categories, targets of performance during the Plan will have to be worked out in detail and will be sought to be achieved. Also, for all public sector enterprises, detailed target-setting as well as full annual budgeting, financial and physical, will be undertaken.

4. For the main industries in the rest of the field, the Planning Commission will endeavour to project possible major developments as related to the overall strategy of industrialisation. The Commission will undertake this exercise in close collaboration with industry. However, the results of the exercise will have to be treated as being in the main indicative. Otherwise, industrial activity in the private sector may be left free to develop within the general framework of policy.

5. A substantial proportion of the investment in the Central public sector has so far been in the development of heavy industries like steel, coal, lignite, oil, heavy engineering, including heavy electrical, equipment and fertilisers. In the heavy electrical equipment field, capacity has already been created for manufacture of power-generating equipment of nearly 3 million kW per annum; this will soon rise to about 5 million kW per annum. In the metallurgical equipment field, the capacity built up is adequate, with supporting facilities in the private sector, to sustain expansion in finished steel output of more than 1 million tonnes per annum. Similarly, a large capacity for machinery for coal and other mining industries has also been set up. The outlay in the Central sector in industry in the Fourth Plan will comprise spill-over expenditure on continuing programmes, schemes already approved, filling of gaps in the fields of fertilisers and other agricultural inputs, and advance action for the Fifth Plan. The utilisation of capacity of large public sector projects and the ensuring of adequate returns from them are problems which need immediate attention. In this connection, all efforts

should be made to find markets outside the country. This calls for the strengthening of both marketing intelligence and market promotion within the public sector enterprises. There will also be need to examine the problem of financing 'deferred' payments as developing countries may require credit facilities for absorbing our exports. The prospects of long-term trade agreements for export may also be explored.

6. Productivity and profitability of both public and private sector enterprises should be given urgent consideration. One of the essential requirements for achieving this purpose in the public sector is to bestow adequate initiative and operational autonomy to the management, so that there is no interference from the Government in the day-to-day operations of the public sector enterprises. As early as 1959, the Krishna Menon Committee had made a number of recommendations intended to reconcile the accountability of public undertakings to Parliament on the one hand with their autonomy for ensuring efficiency on the other. The Report of the Administrative Reforms Commission has explained the need to achieve a proper balance between the requirements of accountability of the enterprises to Parliament and their need for freedom in day-to-day operations. While Parliament must oversee and review the performance of public undertakings with a view to promoting and safeguarding the public interest involved, the manner of achieving this purpose should be such that it does not weaken the initiative of the management and thus affect its efficiency. The general criterion that can be supplied to determine the extent of Parliamentary review is that it should not extend to matters of day-to-day administration. Parliament should be primarily concerned with the efficiency of the overall operations of the enterprise rather than with day-to-day operations. From this point of view, it is necessary to develop healthy conventions—on the nature of information, etc., sought in Parliament—which are consistent with the special needs of the public enterprises.

7. Another matter requiring careful consideration is the recruitment, promotion and related personnel policies of public undertakings, particularly with reference to the selection and retention of top management personnel. The system of deputing officers from the Administrative Services for short durations, with frequent transfers at the top level, deprives management policy of continuity and consistency, apart from providing no commitment of the top management to the success of the public enterprises. This problem is at present under the active consideration of Government.

8. Industries, where size has a pronounced impact on economies, are not many. While, in these industries, technological considerations will predominate, in all other industries, the widest possible dispersal, in terms of ownership and region, should be aimed at. A variety of consumer industries and agro-based industries can thus be developed on a dispersed basis. Provided adequate fiscal and credit support is given, the emergence of new entrepreneurs and cooperatives would be able to ensure the additional production required in these industries to meet the growing demand. As a general policy, units in such industries should not be permitted to be set up by the big industrial houses, which would have ample scope for taking up new ventures in technologically challenging fields.

9. The Indian economic situation calls for a very widespread increase of non-farm employment. This means the development of industries in all parts of the country based on relatively small-scale, dispersed units. This indicates the establishment of a large number of small industrial urban complexes as compared with the recent development pattern of concentration in a very small number of continuously overcrowded metropolitan centres. The requirements of development indicate that the technical performance of the small-scale dispersed units must be at a high level and that they should absorb the fruits of technological advance to a signi-

ficant extent in all important directions and provide opportunities of self-employment for technically trained persons. For this purpose, it may be necessary to provide short-term courses in management, sales and accountancy to technically qualified persons as well as encourage them to form cooperatives for undertaking construction works or for setting up repair and servicing facilities for agricultural machinery in the rural areas. It may also be necessary to make credit available for hire-purchase of machinery. There is scope in India for the adoption of an 'intermediate' type of technology. A considerable amount of research has to go into this adaptation. A programme, such as the one that has been moderately successful during the last ten years in the spheres of hand-loom and power-loom, needs to be devised in selected industries. The economic advantage of superior techniques may be so large that without some measure of initial protection, systematic development of small-scale industry may not be possible.

10. The problem of dispersal has to be tackled at three levels. The first is the level of the traditional village industry. In this case, there is a two-fold problem (a) of immediate sheltering so as to avoid additions to technological unemployment and (b) programming for continuous technological improvement so that the wage-income of operators in the industry reaches average levels at an early date. The second area is that of small-scale industry which is not the out-growth of traditional village industry but which is established either in consumer goods with widespread demand or in the processing of local agricultural material or in providing intermediate goods or small-scale instruments and implements in general demand. The third area is that of small-scale industry which is ancillary or subsidiary to individual units in large-scale industry. Whatever the area, it has to be emphasised that unless effort is made in a variety

of directions (a) to establish such small-scale dispersed industry as viable and (b) to protect it and to ensure its progressive technological progress, the objective cannot be attained.

IV. IRRIGATION AND POWER

Irrigation

It will be necessary to pay special attention to the speedy completion of projects already under construction and bringing about full utilisation of those completed. In this connection, attention has already been drawn to the need for proper water management. It would be desirable that new schemes to be taken up are studied against the background of a perspective plan of long-term development of water resources within particular States and particular river valleys. Special attention should be paid to the development and integrated use of underground water resources. All new schemes should be fully investigated and detailed project reports with firm estimates of costs and benefits should be prepared before they are included in the Plan. The preparatory work would include plans for development of the area for speeding up utilisation after water becomes available and study of effects of the project on such aspects as drainage and water-logging. Experience has shown that lack of adequate preparation leads to increase in cost and to delay in construction and utilisation. Advance studies of long-gestation projects and projects which may be taken up in the Fifth Plan period should be initiated early. Special attention will have to be paid to needs of areas where the percentage of irrigated land is much below the average.

Power

The power plan would be based on the integrated operation of power systems in each of the five regions in the country. For this, it would be necessary to complete the inter-State lines already under construction and also take up and complete construction of new lines necessary for the regional

operation. Larger investments on transmission and distribution will be required for fuller utilisation of potential already created and for new capacities being added. With the introduction of the integrated operation of regional systems, assessment of power requirements would be made on the basis of the requirements of the region as a whole and selection of new generation schemes would be made to serve the requirements indicated by load characteristics of a particular region.

2. One of the objectives for the Fourth Plan would be to interlink the various regional systems with a view to formation of an all-India grid within the Plan period. In view of the appreciable economies involved in regional integrated operation and also operation on an all-India grid basis, and with a view to promote speedy and coordinated growth of regional grids as also of an all-India grid, the construction of inter-State lines and inter-regional lines may have to be undertaken by the Centre.

3. It would be necessary to have an authority for operating each Regional Grid System. Regional Electricity Boards, which are at present only advisory bodies, could be entrusted with the coordination of inter-State transmission and distribution of electricity.

4. Keeping in view the benefits accruing from rural electrification programmes, and in particular from the energisation of irrigation pump sets, investments on rural electrification should be fully coordinated with these programmes and expanded adequately.

V. TRANSPORT

The transport sector has accounted for about one-fifth of the total investment in the economy during the first three Five Year Plans. Past experience has highlighted its crucial rôle in economic development. Individual investments in transport have long gestation periods and are often lumpy. However, any marked shortage in transport, even in the short run, leads to serious impediments in the smooth functioning of the economy. Therefore, it is necessary that transport requirements are assessed in detail in advance and suitable measures for development of transport capacities are taken sufficiently ahead of requirements. Planning for transport investments should take into account the requirements of not only the Fourth Plan period, but also of the longer perspective.

2. The transport network comprises railways, road transport, shipping, inland water transport and air transport. In order to ensure that the transport requirements of the economy are met at minimum overall economic cost, it is necessary to aim at a coordinated development of the various modes, taking into account the future growth of traffic. It is also necessary to coordinate the working of various transport agencies. The recommendations of the Committee on Transport Policy and Coordination provide a suitable framework for this purpose.

3. The expansion of the port and shipping programmes, especially in order to facilitate the export drive, needs early attention. The absence of proper loading and other facilities at ports has hampered the export of iron ore and other commodities and the delays in turnover of ships at ports have resulted in discriminatory freight rates. More Indian ships are also needed to meet the expanding trade requirements.

The indigenous production of ship ancillaries and craft should be given priority.

4. The completion of the National Highway System warrants attention. There are still some bridges which remain to be constructed. States will have to build up their road systems to open up backward areas and to integrate the economic life of various regions with each other. Commercialisation of agriculture, which is a condition precedent to intensification of productive effort, cannot become universal without an adequate system of rural roads.

5. It is necessary to take note of rapid technological changes which are taking place in civil aviation and plan ahead for aircraft with larger carrying capacity and improvement of airports and connected services.

VI. SOCIAL SERVICES

Education

Immediate attention must be paid to the implementation of the directives in the Constitution regarding primary education. The implementation will require provision of special facilities to backward areas and backward sections of the community and for the education of girls. The extent of wastage and stagnation in primary education is at present proving very costly. It would be necessary to devise measures to reduce this substantially. In the field of adult literacy, it is proposed to emphasise the functional approach.

2. Since education is the main instrument of social change, opportunities for secondary and higher education must become increasingly available to all classes. At the same time, restraint of resources—financial and personnel—emphasises the need to economise in and to rationalise the process of institutional spread and to make strenuous efforts at maintaining minimum standards of quality.

3. Considerations arising out of man-power planning have special relevance to the field of technical, vocational and professional education. The institutional and other facilities brought into existence to provide this education must be linked to estimates of future demand for trained man-power. This is because the educational effort in this field is relatively costly and excessive supply wastes national resources and because over-supply of highly qualified technicians leads to special difficulties in the case of unemployment. The estimate of future demand can only be made on the basis of a commitment to a certain pattern of long-term development. Further, industry, business and commerce need also to be closely associated with this sphere of educational effort.

4. Enlargement of research activity is essential. All such activity should be coordinated fully between the institutions and universities, specially with post-graduate work. In its applied aspects, it is closely linked with the appropriate sectors of economic activity.

5. The relatively early stage at which a large majority of students in India find it necessary to leave educational institutions and the requirements of changing technology indicate the importance of providing facilities for part-time education, correspondence courses and other training programmes. These should be so designed as to facilitate lateral and vertical mobility of members of the working force.

6. Because of our poverty, it is not possible for the State to maintain free a system of widespread and varied educational services. While it is necessary to provide special facilities for the poor, it is not financially desirable to afford free facilities to those who can afford to pay for education of their children. Therefore, a system in which an appropriate charge for educational services is made, combined with a scheme of scholarships, freeships and loans, appears the most appropriate. It is also desirable to encourage voluntary contributions for educational activity, especially in relation to non-recurrent and capital expenditure, from the community and individuals.

7. While programmes for the expansion of facilities at different stages will have to continue, it is essential to lay greater emphasis on programmes of qualitative improvement. Among these, special attention will have to be given to the improvement of the skills and status of teachers, indigenous book production and promotion of student welfare.

Health

In the health sector, priority should be given to the establishment and strengthening of the primary health centres to serve as the main agency for medical and public health

programmes in rural areas. Communicable-disease control programmes, especially in the maintenance stage, should also be carried out through the primary health centres. In areas of endemic cholera and filariasis and acute scarcity, water supply and drainage schemes will require special attention.

2. While the main responsibility for sustaining the existing health schemes and extending them where necessary will rest on the States and local agencies, such as panchayats and municipal bodies, they have to be strengthened and supplemented by mobilising community resources, except in areas which are very backward and poor. Some of the suggestions which could be considered are a small fee on persons attending the out-patient department of hospitals and dispensaries and a charge *per diem* for stay of the patients in the hospitals. Indigent persons would, of course, be excluded from these charges. Apart from Government health insurance schemes, health insurance may be introduced for special groups in industry and cooperatives. Another suggestion for augmenting financial resources is through a health cess.

Family Planning

The family planning programme has been given the highest priority and has already been accepted as a Centrally-sponsored programme for a period of ten years. Whatever can be usefully spent on the programme may be provided and it may be ensured that performance is commensurate with the expenditure incurred. The approach should be to achieve enduring results through building up appropriate motivation. The programme needs to be backed by adequate research.

Urban Development

The high rate of growth of population of our cities and towns has resulted in growth of slums and fall in the stan-

dards of civic amenities. It is necessary to take up, urgently, programmes of urban development, including urban low-income housing and slum clearance and improvement, transport, water supply and drainage, to ensure that urban standards may be maintained. In making such efforts at urban planning, the problems of the entire area have to be taken into account and regional development ensured.

Scheduled Castes and Scheduled Tribes

It has been recognised by the Constitution that a number of categories in our society, such as Scheduled Castes and Scheduled Tribes, must be specially looked after by the State. Attempts have been made in the past to deal with the problems of these categories, particularly those indicated in the Constitution, through specific programmes designed for benefiting them. The basic assumption in the formulation of these programmes and in allocation of finance for them was that these categories would receive a minimum level of assistance from the general programmes of economic development and social services. However, it has been the experience that whether these categories inhabit a special area, such as tribal blocks, or are integrated with the rest of the population, they obtain relatively little assistance from the general programmes. In consequence, the special programmes which are formulated as additive to general development effort prove infructuous. Intense effort will have to be made in the Fourth Plan to devise measures which would enable these classes to share benefits arising from economic growth and social improvement.

VII. OPERATION OF THE MIXED ECONOMY

The term 'mixed economy' connotes the co-existence of a number of different forms of economic activity, each with its own objectives, motivations and methods of operation.

2. Among the constituents of the mixed economy, the operation of public sector units is under the direct control of Government. Therefore, with proper organisation and administration, it should be possible to ensure that they work according to the Plan. The cooperative sector is also, though not equally, amenable to official direction. In relation to the private sector, however, some measures of restraint and inducement are usually needed to see that its activities conform to Plan expectations. These measures could be divided into those relating to (1) prices and allocation, (2) investment outlays and patterns, (3) entry and location, (4) monopoly and concentration, and (5) operation of individual units.

3. The use of buffer-stocks to stabilise prices of agricultural commodities and to ensure an even flow of physical supplies, has already been accepted. Recent years have also convinced most State Governments of the need for the maintenance of a fair-price shop system, well distributed over the States, for distributing supplies and restraining rise in prices of essential goods. Efforts have to be made to see that, in the Fourth Five Year Plan, the place of the fair-price shop system is taken, to the greatest extent possible, by cooperative consumer stores or shops of multi-purpose societies, especially in rural areas. The dependence of the fair-price shop system on State initiative and action has made for large fluctuations in its extension and operation from year to year. The system is apt to be dismantled as soon as adverse conditions disappear. This is wasteful and, there-

fore, deliberate attempts must be made to establish viable cooperative shops at all points at which the existence of fair-price shops in the past has been thought desirable. Moreover, the business of such cooperative shops should deliberately cover, in the first instance, consumer goods of mass consumption.

4. In conditions of general shortage of foreign exchange, the pricing and distribution of materials, which are imported on the basis of quotas and licences, have given rise to complaints of undue advantage and misuse of privilege. Perhaps a better way of ensuring fair distribution and preventing unnecessary imports would be to import through public agencies, such as the State Trading Corporation, the Minerals and Metals Trading Corporation and the Food Corporation of India.

5. State trading would also prove useful where export of goods is undertaken in which there is a sharp differentiation in internal and external prices. The differentiation may be either way. The Commodity Export Boards in all countries enable a uniform average price to be paid to the internal producer and create a reserve of foreign exchange when international prices are high and which can be drawn upon when international prices are especially low. Where the international prices are lower than the internal prices and the State yet decides to export in order to obtain some foreign exchange resources, this again is best undertaken by a public agency. When a public agency enters the import and export trade on a large scale and establishes wide contacts, it should undertake extensive promotional activity in relation to new, promising lines of exports. At the same time, it may be desirable to review recent performance of public agencies in this field and to suggest means for improving their efficiency.

6. Outside the fields indicated above, it would be desirable to reduce price and allocation controls to the minimum.

Also, where undertaken, it would be desirable to define their purpose and mode of operation in specific terms.

7. The present system of controlling investment, entry and allocation through licensing, capital issues control and quantitative import restrictions has not functioned as satisfactorily as was envisaged. The operation of controls should be gone into in considerable detail and case studies undertaken. The Ministry of Industrial Development has set up a Committee on Industrial Licensing. The present situation can be altered in the direction of a more thorough and integrated regulatory system. However, in the existing situation, this is not likely to prove acceptable or workable. An alternative is that of allowing free entry and operation and aiming at increasing efficiency and cost-consciousness through increased competition. In view of the continuing scarcity of some resources and the need to ensure investment and production effort in particular directions, a compromise solution may be attempted through a selective process of de-licensing. The broad features of a possible compromise are indicated below :

(i) All basic and strategic industries, involving significant investments and foreign exchange should be carefully planned and subjected to industrial licensing. It is necessary to ensure effective performance and to keep a close watch on the development of these industries. Hence, once the licence is granted, credit, foreign exchange, scarce raw-materials, etc., should be earmarked for them and made available on time. This should be done for units both in the public and the private sector.

(ii) Industries requiring only marginal assistance by way of foreign exchange for capital equipment may be exempted from the need to secure industrial licences. For this purpose, the foreign exchange ceiling may be stipulated at, say, 10 per cent of the total value of the capital equipment. The release of foreign exchange would continue to

be regulated and the import of capital goods screened by the Capital Goods Committee. However, in industries in which, though the foreign capital equipment component is low, the maintenance import component is high, it may be necessary to continue licensing.

(iii) Industries which do not call for foreign exchange for import of capital equipment or raw materials should be exempted from the requirements of industrial licensing. In these industries, there should be freedom for private enterprise to operate in accordance with the market requirements. However, in order to protect traditional and small-scale industries from undue competition within the greater freedom envisaged to the private sector, the existing reservations, suitably modified from time to time in accordance with the requirements, should continue.

(iv) It may also be explored to what extent maintenance imports, especially components, parts or materials required by specific industries for a narrow range of uses, could be freed from import control and subjected only to an appropriate customs duty. It may even be possible in this context to revive the practice of discriminating protection and to levy a protective duty above the general customs level after enquiry and for a specific period.

(v) Concentration of economic activity in particular locations is presenting an increasingly difficult problem. The socio-economic costs of servicing industrial centres above a given size are particularly heavy. Active steps will have to be taken to plan the future of metropolitan regions in the country.

8. Wide dispersal of industrial locations can be brought about chiefly through positive and negative measures, such as fiscal concessions, the building of industrial estates and areas and the facilities afforded by them and through disincentives, such as higher power and water tariffs and cesses.

9. The problem of concentration of economic power and of the monopolistic position held by some units in the private sector is another aspect that needs attention. To the extent that entry is made free and competition increases, concentration and monopoly may decrease. However, even so, possibilities, such as of collusion and merger, will continue to be present. In this regard, legislation is before Parliament which contemplates control of undue concentration and of restrictive trade practices. It is assumed that the proposed Monopoly Commission will be functioning during the period of the Fourth Plan. However, certain other measures may be suggested for curbing an undue concentration.

For curbing monopolies, it may be necessary to lay down the principle that a new industrial licence would be given to an industrial house in the light of proved performance in relation to earlier licences. A further step that might be taken is to orient the credit policies of the financial institutions so as to prevent an undue proportion of the available financial resources being directed to large industrial houses. It may be desirable to stipulate that in the case of large industrial houses, their own contribution in a project should be proportionately higher compared to medium-scale or new entrepreneurs and funds should not be made available to them for non-priority industries.

10. The newly set up National Credit Council will be an important agency for directing and regulating the supply of credit in the economy. The main purposes which the Council may be expected to serve in this context are (i) to ensure flow of credit in accordance with plan expectations for particular purposes, types of establishments and locations, and (ii) to narrow progressively, through a variety of measures, the existing gap regarding the availability and the terms and conditions of credit as between the richer and well-entrenched categories and the progressive areas on the one hand and the backward areas and locations and the

poorer and weaker sections of producers and consumers on the other.

11. As regards operations of individual companies, powers under the Regulation of Industries Act enable Government to take over management of industrial establishments in certain circumstances in the capacity of trustee. This does not appear to be adequate. Where Government takes over the management of such an establishment, it should assume wholly or in part the ownership thereof, as is contemplated in the proposed Textile Corporation. Similarly, where public financial establishments, including the Life Insurance Corporation, have substantial share-holding in a company, they may preferably exercise their full rights including the appointment of representatives to the Board of Directors. If public financial institutions have full knowledge of the operations of the larger corporations and are in a position to influence important decisions, this should prove an important factor in assuring the harmonious operation of our mixed economy.

12. The abolition of the Managing Agency system is currently under consideration. Care has to be taken that the abolition is effective and does not mean merely a change of names.

VIII. DEVELOPMENT AND DISTRIBUTION

To spread development effort more evenly and to ensure that its benefits accrue, at least in some measure, to the weaker and poorer sections of the community is an important objective of planning. In a rich country, this can be achieved in part by transfers of income through fiscal, pricing and other policies. No significant results can be achieved through such measures in a poor country. With us, therefore, the only effective course of action is to see that development takes place everywhere. In a mixed economy, the pace of development is a function, in part, of action in all three sectors—State, private and cooperative. However, before the development process can be initiated effectively, certain pre-conditions must be satisfied. In particular, the necessary facilities, utilities and services must be provided everywhere.

2. The existing imbalance in regional development is reflected in the mal-distribution of facilities and services required for development. This is evident not only as between State and State but also as between metropolitan and other areas within a State and other parts of the State. The obvious first step in correcting regional and area imbalances is to provide the appropriate infra-structure needed for development. This has to be accompanied by programmes of development of agriculture and industry which will be generally based on conservation and development of natural resources in the area. If planned development effort includes all aspects instead of only some (*e.g.*, animal husbandry as well as agriculture, dry agriculture as well as irrigated agriculture, traditional village industry as well as small-scale and large-scale modern industry), appropriate programmes of development could be planned to suit each area and

another source of imbalance eliminated. A programme of developing infra-structure and resources of all areas and of accelerating diversified economic activity will initially come up against the problem of financial resources. The backward regions and States suffer from relative paucity of financial resources. This handicap could be corrected in some measure through special programmes and allocation of funds. Such action is, however, limited by the overall constraint of resources.

3. The provision of larger employment opportunities is one of the main objectives of a plan of development. At the same time, the pattern of employment has to be such as to promote further development. In the agricultural sphere, the emphasis on non-irrigated agriculture, on the small holder, on the fuller utilisation of labour as a resource, would help to spread the benefits of development and provide opportunities for gainful employment. In the industrial sphere, apart from the development of the infra-structure, the emphasis on the dispersal of industries and the encouragement to the small-scale sector will have a similar effect. If ways can be found to canalise the increased incomes of these categories in savings or insurance, this would give them greater security.

4. Another step is the extension of public services which raise the standard of living of the mass of the people. The two most important directions in which this has happened significantly, during the last 15 years, have been the spread of educational and public health facilities. Education is the most effective means for progress. An appropriate spread of educational opportunities is an extremely important instrument of social policy. It is noteworthy that backwardness in economic organisation and cooperative effort usually goes hand in hand with backwardness in education. Similarly, a wider dispersal of health services contributes to improvement of the standard of living and raises

the productive capacity of the population. Improvement in nutritional standards is also desirable. Under-nutrition and mal-nutrition exist widely in the country. A beginning has to be made with a planned programme in maternity and child welfare centres to cover the most vulnerable sections of the population.

5. It is possible to incur expenditure on specialised programmes, such as school meals, nutritional programmes in favour of definite areas or categories of people and programmes for the welfare of children. If these are properly articulated, they may benefit specially the handicapped classes and categories. Subsidies have been given in the past through the lowering of foodgrain prices. It is obvious that we cannot afford general subsidies at any significant level and further that subsidisation, which is necessarily non-discriminatory, achieves social purposes at too great a cost.

6. Prevention of the growth of disparities and possibilities of restraining incomes and standards of consumption of the affluent sections of society have also to be considered. One of the largest existing sources of unearned increments in income and capital is the increases in land values in developing urban centres. The mopping up of these warrants early attention.

7. Government controls the emoluments of some categories of high business executives. A definitive policy in regard to the exercise of this control has to be evolved and it has to be examined how far it can be extended. It will also be desirable, in this context, to examine the present level of expenses and other perquisites allowed to companies and firms. A general suggestion would be to limit the total salary and benefit payments that any executive of a firm or corporation would be entitled to for the purposes of deductible expenses claimed by the firm in tax assessment. From the same point of view, the scales of expenditures on public officials and public ceremonies also deserves re-examination.

8. Another important way of redressing inequalities would be to improve further the present situation of the common man in relation to public administration and public utilities. If he can be placed at the centre of attention in administration and be specially catered for in public utilities and services, a great deal of the existing feeling of grievance could be removed. Very largely, this is a matter of changing traditional practices and fixed attitudes. However, in good part, it can be a matter of needed economic adjustment.