

CHAPTER XI
ECONOMIC AND SOCIAL PLANNING

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CHAPTER XI ECONOMIC AND SOCIAL PLANNING

1. INTRODUCTION

11.1.01 Planning in our country has emerged as a comprehensive area of governmental functions. The Directive Principles of State Policy lay down that the State shall strive to promote the welfare of the people by securing and protecting, as effectively as it may, a social order in which justice social, economic and political, shall inform all the institutions of national life. The achievement of these goals calls for planned development of the country based on a national consensus in the formulation of policies and shared action. Planning, by its very rationale and nature, postulates a cooperative and coordinated approach to development. In a large and diverse country like ours, with a dual polity and administration, it involves a continuous and wide ranging interaction between different constituents.

11.1.02 The importance of planned development as a means of raising the standard of living was recognised as early as in 1938 when the National Planning Committee was constituted by the Indian National Congress but its work was interrupted by the Second World War. A separate department of Planning and Development was established in 1944 with a view to assisting post-War reconstruction. In 1946, the Interim Government of India appointed an Advisory Planning Board. The decade preceding the preparation of the Constitution witnessed considerable public discussion and official deliberation on planning. These attempts clearly brought out the need for planning at the national level to evolve a coordinated approach to the whole problem of socio-economic development of the country.

The Problems

11.1.03 In the evidence before us, one has questioned the need for national planning. An elaborate system of planning has been developed in the country. Planning *i.e. inter alia* a political process. Inevitably, certain problems in Union-State Relations have been thrown up in regard to the institutional arrangements and processes in planning. The major issues which are listed below have been dealt with in detail in Sections 5 to 8:

- (i) The States are not involved sufficiently in national planning.
- (ii) Planning Commission has functioned more as a limb of the Union Government in exercising sway over the State Governments, rather than as a truly federal institution restricting itself to advise on technical matters of planning.
- (iii) The role of the National Development Council, as an institution to provide guidance in national planning, has not been effective and has been characterised by mere formal approval of the plans prepared by the Planning Commission.
- (iv) There are three important factors which adversely affect States, initiative in planning in their constitutionally defined spheres:
 - (a) There is too detailed a scrutiny by the Planning Commission and other Central Organisations of States' Plan proposals.
 - (b) The Centrally Sponsored Schemes have made deep in-roads into States' sphere of activity and have affected their initiative and priorities.
 - (c) States' crucial dependence on Central assistance for the Plan and the mechanism of earmarking of outlays has restricted their manoeuvrability to allocate resources among the development heads.
- (v) Although a multi-level planning framework is desirable in our context, the State Planning Boards and sub-State level planning have not become effective so far.

11.1.04 Before undertaking an examination of the above-mentioned issues, it would be desirable to review briefly the Constitutional provisions and the present institutional arrangements and processes of planning involving the Union and the State Governments. These are discussed in the next two Sections of this Chapter. Section 4 deals with the dynamics of the economy having bearing on Union-State relationship in the sphere of planning. Finally, the various issues and suggestions are considered in Sections 6 to 8.

2. CONSTITUTIONAL PROVISIONS

11.2.01 Entry 20 of List III relates to "Economic and social planning". Planning being a matter of common interest to the Union and the States, the Entry relating to it has been appropriately placed in the Concurrent List. However, the Constitution does not specify and mechanism like the Planning Commission for advising on planned development. This is in contrast to the provision for constitution of a Finance Commission in the Constitution itself to make recommendations in regard to distribution of financial resources.

11.2.02 Although the Constitution does not contain explicit provision for a Planning Commission, it carries, nonetheless, ample justification for planning. The very Preamble of the Constitution specifies the resolve, *inter alia*, to secure to all the citizens "JUSTICE, social, economic and political". The Directive Principles of State Policy enunciated in Part IV of the Constitution further spell out directions and principles for the State to secure a social order for the promotion of welfare of the people. In particular, Articles 38 to 42, 43A, and 45 to 48A enumerate responsibilities of the State for discharging which planning constitutes a pre-requisite. These roles cannot be performed by the States or the Union government in isolation from each other. This is the rationale for placing 'Economic and social planning' in the Concurrent List.

11.2.03 There are a number of subjects in the three Lists which have relevance for planning (Annexure XI. 1). Planning is a multi-faceted subject. It spans or touches upon the socio-economic aspects of several matters in the three Lists. Such matters in List I include, among others, Union control-regulation and development of certain declared industries (Entry 52); Regulation of mines and mineral Development (Entry 54); Regulation and development of Inter State rivers and river-valleys (Entry 56); National Highways (Entry 23); Institutions for scientific and technical education, financed wholly or in part by the Government of India declared as of national importance (Entry 64); Union agencies and institutions for professional, vocational or technical training, special studies or research etc. (Entry 65); and Coordination and determination of standards in institutions for higher education and scientific and technical institutions (Entry 66). These subjects in List I have an interface with several subjects included in List II or List III. The executive power of the Union with respect to such matters is coextensive with its legislative power. Under most of these Entries in List I, Parliament has enacted legislations which regulate the exercise of the executive power also in regard to such matters.

11.2.04 Taking an overall view from the conceptual, institutional and functional aspects, planning both at the formulation and execution stages has to be a co-operative process of shared action between the Union and the States. The Planning Commission is expected to prepare the blue-print in consultation with the States and in accordance with the broad guidelines and policy indicated by the National Development Council (NDC) on which both the Union and the State Governments are represented. After the Draft Five Year Plan is approved by the NDC and finalised by the Union Government, it has to be implemented to a substantial extent through the State machinery. In the absence of any legislation pursuant to Entry 20 of the Concurrent List, the relationship between the two levels of government is to be understood in terms of their executive jurisdictions prescribed by or under the Constitution. It is made operational through the budgets of the Union and the State Governments. Its implementation is largely the responsibility of the States in regard to matters enumerated in Lists II and III. With regard to matters falling exclusively within List I, planning may be carried into execution either wholly by the administrative agencies of the Union or through cooperative action of the agencies of the Union and the States. However, even in regard to matters falling within the executive jurisdiction of the Union, the President may with the consent of the Government of a State, entrust either conditionally or unconditionally, to that Government or its officers, executive functions falling within the jurisdiction of the Unions [Article 258 (1)]. Similarly, the States may with the consent of the Union Government entrust, conditionally or unconditionally, to that Government or its officers, its executive functions for implementation of a plan in relation to a matter in List II or List III (Article 258A).

11.2.05 Indeed, from a broad perspective, the main problem is how to reconcile the need for centralised macro-level planning with the Constitutional imperatives of divided and concurrent powers, under the modern world conditions. In other words, how best the Union can pursue the national goals of socio-economic planning without excessive or needless involvement in the areas demarcated by the Constitution

for the exclusive or concurrent jurisdiction of the States and without evoking an adversarial reaction. It is a multi-faceted problem. It has constitutional, fiscal functional and political implications, which under-score the imperative necessity of acting in consultation with the States at all crucial stages of the planning process.

3. ARRANGEMENTS AND MECHANISMS FOR PLANNING

11.3.01 The arrangements and mechanisms of planning may be, for the sake of convenience, discussed in terms of—

- (a) institutions and planning machinery, and
- (b) process of planning.

Planning Commission

11.3.02 the Constitution of the Planning Commission in March, 1950, with the Prime Minister as its Chairman, was a major event that ushered in systematic planning in our country. It was set up by an executive order of the Government of India as an advisory body to make recommendations to the Union Cabinet. The relevant Government Resolution, which sets out the objectives functions and role of Planning Commission is reproduced in Annexure XI. 2. The responsibility for taking decisions and implementing the same rests with the Union and the State governments. The Resolution, after tracing the important links of the planning system in evolution, emphasised the need felt for 'adequate coordination' between the development schemes initiated by the Union and the States and for comprehensive planning based on a careful appraisal of resources and essential conditions of progress. Para 6 of the Resolution further stated that in framing its recommendations, the Planning Commission will act in close understanding and consultation with the Ministries of the Central Government and the Governments of the States. It has also referred to the Fundamental Rights and Directive Principles of State Policy as providing the rationale and direction for the tasks to be organized by the Planning Commission.

11.3.03 The broad functions of the Planning Commission, as enumerated in paragraph 4 of the Resolution include; assessment of material, capital and human resources; formulation of a plan for their most effective and balanced utilisation; determination of priorities and allocation of resources for completing each stage of the Plan; determination of machinery for securing successful implementation of the plan; appraisal of progress and recommending adjustments in policies and measures during the execution of the Plan, and making of interim and ancillary recommendations on current development policies, measures, etc.

11.3.04 While setting up the Planning Commission, it was emphasised that, keeping in view the nature of the responsibilities entrusted to it, it should be kept free from the burden of day-to-day administration but should remain 'in constant touch' with the Government at the highest policy level. "The Prime Minister of India has been from the beginning the Chairman of the Planning Commission and has participated in and given direction to the thinking on all major issues of policy. The Commission has a Deputy Chairman and a few full time Members. At times, the Deputy Chairman is also Minister for Planning, or is assisted by a Minister of State for Planning. From an early stage, the Minister of Finance has been a Member of the Commission".¹ At the time of formulation of the Seventh Five Year Plan, Union Ministers of Defence and Agriculture, Co-operation and Rural Development were also Members of the Planning Commission. A large secretariat has been established over the years to assist the Planning Commission in its work.

11.3.05 Besides some 'housekeeping' and general administrative wings, the organisation of Planning Commission's secretariat may be divided into 'General' and 'Sectoral or Subject-matter' Divisions. In addition, there have been some associated Committees like Indo-Japan Committee, Research Programme Committee, Western Ghats Secretariat, etc. A Programme Evaluation Organisation is also attached to the Planning Commission Secretariat.

Advisers (State Plan)

11.3.06 Planning Commission has Advisers (State Plan) who perform a very important role vis-a-vis the States. On the one hand, they assist the Planning Commission in finalising the State Plans and on the other, in monitoring the progress of various development programmes in the States. They also interact with the State Governments and assist them in resolving their problems in implementation of the Plan. They are thus expected to function as an active link between the Planning Commission and the State Governments.

National Development Council

11.3.07 Setting up of the National Development Council (NDC) as early as in August, 1952, on suggestion of Planning Commission itself, may be regarded as the most significant step for promoting understanding and consultation between the Union and the State Governments on planning and common economic policies. It was assigned the three important functions of reviewing the working of the National Plan from time to time; to consider important questions of social and economic policy affecting national development, and to recommend measures for the achievement of the aims and targets of the National Plan. Initially, the Council comprised the Prime Minister of India as its Chairman, the Chief Ministers of all States and the Members of the Planning Commission. Some Union Ministers and experts were also invited to the meetings. It was required to make recommendations to the Union and the State Governments.

11.3.08 In October, 1967, on consideration of the recommendations of the Administrative Reforms Commission, the membership of the Council was enlarged. The Resolution revising the composition and functions of the NDC may be seen at Annexure XI. 3. Since then the NDC includes, in addition, all Ministers of the Union Cabinet, Chief Ministers of Union Territories, Lt. Governor and Chief Executive Councillor of Delhi and Administrators of other Union Territories. Other Union Ministers and State Ministers may also be invited to the meetings of the Council. Secretary of the Planning Commission acts as Secretary to the Council. The Resolution also laid down that the Council may appoint, from time to time sub-committees or panels. An important function added to the Council was "to prescribe guidelines for the formulation of the National Plan, including the assessment of resources for the Plan". The Resolution requires that the Council would meet "as often as may be necessary and at least twice in each year".

11.3.09 Although the NDC is not a statutory body, its very composition gives it a unique character and its recommendations are treated with deference by the Union and the State Governments. It imparts a national character to the entire process of Planning.

Other Union Departments/Agencies

11.3.10 Union Ministries and Departments, have their own Planning Cells/Units for preparing detailed plans. The Plan Finance Division of the Union Finance Ministry is closely associated with the Planning process. Some of the other Ministries dealing with economic and social development sectors participate in the process of planning of State Plan Schemes. The recently created Ministry of Programme Implementation is intended to perform a significant role in monitoring. Besides the government departments, the Reserve Bank of India, L.I.C., and a number of financial, research and assistance channelising agencies under the overall control of Government of India, participate in regard to specific aspects of Planning. The Central Statistical Organisation and the National Sample Survey Organisation, as part of Ministry of Planning, among other, provide statistical input to the national Plan.

Planning Machinery at State Level

11.3.11 Strengthening of Planning capabilities at the State level has been considered desirable for quite some time now. As early as in 1971, following recommendations of the Administrative Reforms Commission, the Planning Commission advised the State Governments to set up Planning boards at the State level and strengthen their planning machinery. District level planning units were also suggested. In order to bring about a professional approach to the work of planning in State Governments they were subsequently advised to set up the following units:

- (i) Perspective Planning Unit;
- (ii) Monitoring, Plan Formulation and Evaluation Unit;
- (iii) Project Formulation Unit;
- (iv) Regional/District Planning Unit; and
- (v) Plan Coordination Unit.

11.3.12 Under a Centrally Sponsored Scheme since 1972-73, two-thirds of the expenditure incurred by the States on setting up of the above-mentioned units is being met by the Union Government. Since 1982-83, half of the expenditure on strengthening

planning machinery in the districts is also being shared by the Union Government. Planning capabilities of the States have by and large improved over the years.

11.3.13 State Planning Boards/Planning Commissions have been set up in all the States, except Sikkim. Some of the States have also set up District Planning Units. In the States, besides the Planning Departments and Boards, other development departments and some other agencies also participate in the work of planning. These include Directorates of Economics and Statistics, research institutions and Universities, Finance Corporations and voluntary agencies.

The Planning Process

11.3.14 The planning process consists of a series of formal and informal consultations both at the Union and the State levels and between them.

11.3.15 The process of formulation of a Five Year plan is spread over a period of two to three years and involves a good deal of horizontal and vertical inter-action. This process, may be divided into the following stages:

- (i) Background studies, analysis of constraints on development and evolution of perspective.
- (ii) Preparation of Approach Paper, Setting up of Working Groups/Study Groups both at the Centre and in the States for sectoral and other studies.
- (iii) Issuing of guidelines by Planning Commission based on the approved Approach Paper, both to the Union Ministries/Departments and to the State Governments for preparation of detailed Plans including assessment of financial resources.
- (iv) Detailed estimation of financial resources.
- (v) Preparation of detailed sectoral plans, and formulation of the Draft Five Year Plan.
- (vi) Consideration of the Draft Five Year Plan at various forums, academic institutions and expert groups. Planning Commission also organises special meetings with leaders of political parties, academicians, representatives of industry and agriculture, trade union leaders and the like.
- (vii) Approval of the Draft Plan by the NDC.

Annual Plan

11.3.16 The process of formulation of the Annual Plan begins in the Planning Commission sometimes in the month of August or September when, after a preliminary review of various developments and likely availability of resources guidelines are issued to the States. The attention of the State Governments is drawn to the special problems and developments and formats for submitting schemes, resources forecasts, etc. are suggested, Estimates of financial resources and scrutiny of the schemes proposed by the States are undertaken in the months of October to December in consultation with the officers of the State Governments. Representatives of Ministries/Departments of the Government of India as well as representatives of Reserve Bank of India participate in discussions. As in the case of the formulation of the Five Year Plan, the Advisers (State Plans) consolidate the recommendations of the Working Groups and prepare a report. This report is discussed in a meeting between the Deputy Chairman of Planning Commission with the Chief Minister. Since the plan frame for five years is available, the process of formulation of the annual Plan is simpler than that of the Five Year Plan and lays emphasis on reviewing progress of implementation and inter-sectoral balances.

Financing of the Plan

11.3.17 Plan resources are assessed separately for the public and private sector plans based on estimates of quantum and structure of savings and consumption in the community. Making a broad judgement about the extent of resource mobilisation for the plan is an important aspect of national planning. Only a broad estimate of investment is made for the private sector. However, for the public sector a detailed exercise is undertaken. The resource estimates for the national Plan are categorised between external and internal—the latter including budgetary surpluses at current rates of taxation, estimates of additional resource

mobilisation, market borrowings, deficit financing, etc. For the States' Plans, central Plan assistance and their 'own resources' are correspondingly estimated.

Central Assistance and earmarking of outlays

11.3.18 Central assistance for State Plans, to begin with, was in the form of assistance to specific projects and programmes. Since the Fourth Five Year Plan, in place of different schematic patterns, Central assistance is given in the form of block loans (70 per cent) and block grants (30 per cent). Liberal patterns with 90 per cent grant and 10 per cent loan are being applied to Central assistance to the special category States namely, Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura and to the special Central Assistance for the sub-plans for Hill and Tribal Areas and Component Plan for Scheduled Castes, etc.

11.3.19 Central assistance constitutes on an average about 37 per cent of the States' plan finance in the Seventh Plan. This proportion is significantly higher for the special category and other backward States with smaller financial base. The total quantum of Central assistance is determined by the Planning Commission in consultation with the Ministry of Finance, keeping in view, the overall availability of resources. Out of the total amount available, the provisions for the externally aided projects, special Central assistance for sub-plans and for the special category States are first set aside and the balance is distributed on the basis of a formula (popularly called the Modified Gadgil Formula) which become operative since 1980 after approval by the NDC. As noted in the previous Chapter, the Modified Gadgil Formula consists of the following criteria and weights for allocation of the overall amount:

- (i) Population (60 per cent).
- (ii) Per capita State Domestic Product below the national average (20 per cent).
- (iii) Per capita tax efforts of the State (10 per cent).
- (iv) Special problems (10 per cent).

11.3.20 The Statewise allocations of special Central assistance for Hill and Tribal areas sub-plans also follow predetermined objective criteria approved by NDC.

11.3.21 Central assistance is not merely a source of plan finance to the States, it has also been used as an instrument to sustain plan priorities. This became necessary after the introduction of block-assistance. In order to ensure that the agreed outlays are spent in aggregate and on programmes and sectors which are accorded priority, since 1969 such outlays are being "earmarked" on annual basis. Any shortfall in plan expenditure or on the individually specified priority sectors/heads/schemes in relation to the approved outlays would entail a proportionate cut in central assistance. The earmarked sectors/programme at present include: Agriculture and Allied Services, Rural Development, Minor Irrigation, Command Area Development, specified Major and Medium Irrigation Project/Schemes, specified Power Projects/Schemes and all the individual schemes of the National Programme of Minimum needs. On an average, about two-third of the State plan outlay is tied by the system of earmarking. However, the system is not entirely rigid as revision of outlays on earmarked sectors, with the approval of Planning Commission, is permitted for the on going annual Plan.

Sub-Plans and special plans

11.3.22 Since the middle of 1970s, some special plans, viz, Sub-plans for Hill and Tribal areas, North Eastern Council (NEC) and Western Ghats Programme, came into being in recognition of the advantages of areas planning approach, for the identified backward regions. Formulation of the Sub-plans takes into consideration the totality of the resources, comprising devolutions from State Plans, Special Central Assistance, Institutional finance and Central Sector investment in the Sub-Plan area and includes programmes specifically benefiting the area and the target groups. These Plans have resulted in increased flow of resources to the States. Similarly, Special Component Plans with acts of schemes for the Scheduled Castes are prepared and integrated in the State Plans. Special Working Groups are constituted to consider and scrutinise these special Plans.

Centrally sponsored schemes

11.3.23 The Centrally Sponsored Schemes are initiated at the instance of the Union Government and implemented by the States for which Central assistance is provided by the former. Simultaneously, guidelines regarding the contents coverage expenditure pattern: staffing etc. are issued.

4. *PLANNING—A DYNAMIC PROCESS*

11.4.01 We have so far considered the constitutional provisions and the institutional arrangements which have been evolved over the past thirty-seven years of planned development. Before considering the various issues raised it would be advantageous to review briefly the achievements and short comings of planned development during this period and consider the issues in the light of the same.

11.4.02 At the commencement of planned development, India presented a classical example of a poor country unable to embark on rapid socio-economic development due to serious shortage of capital. The rate of savings was low, resulting in low capital formation which in turn, prevented adequate investment so essential for growth. Since then the rate of savings has gone up from 5.5 per cent in 1950-51 to about 22 per cent in 1985-86 and is, indeed, one of the highest among the developing countries now. It is also significant that the external assistance has been relatively small and ranged from 7.7 to 12.9 per cent since the Fourth Five year Plan.

11.4.03 Planning has brought about several achievements. The breakthrough on the agricultural front can be counted as one of the major successes. We have been able to overcome the dependence on imported food-grains to meet the consumption needs and reached a point of substantial surpluses. This has enabled the country to take in its stride adverse seasonal conditions to which a fairly large part of the country is prone. Significant progress has been made on the industrial front over a very wide range both in terms of production and adoption of new technology.

11.4.04 It is also necessary to look at the failures or shortcomings to get a balanced picture. The long term growth rate of the economy has been around 3.5 per cent, but it has reached higher levels at some points of time. It is somewhat paradoxical that inspite of a high rate of saving, the economy has not been able to achieve correspondingly high rates of growth consistently. This has been attributed by some to the steady increase in capital-output ratio and inefficient management which merely restate the problem in a different manner. Another area of concern is the fact that the fruits of development have not percolated significantly to the poorest sections of the community. This has brought into sharp focus the need for a direct attack on poverty. Even though considerable progress has been made both in agriculture and in industry, it has often been confined to a few areas and has not been sufficiently dispersed. Regional disparities continue to be glaring. Yet another area of concern is the high rate of growth of population. Persistent high level of unemployment particularly among the educated youth and under employment, have given rise to social tensions and problems.

11.4.05 Tackling the above problems requires comprehensive strategies and changes in economic policies involving participation of both the Union and the State Governments. Measures of population control, strategies for gainful employment and increasing the incomes of the poor and raising their share in total consumption have constituted challenging tasks. Poverty alleviation and special area development programmes have been taken up to mitigate both class and regional disparities. In all these programmes, the efforts of the Union and the State Governments have been jointly commissioned. A vast network of public distribution system has been built up both to contain prices of essential commodities and support the consumption by the poor. While the States have provided the administrative support to this system, the Union Government's responsibility in subsidising and coordinating the activities of the various Union agencies and departments has been heavy and critical.

11.4.06 The performance of public sector enterprises of both the Union and the State Governments has also been an area of serious concern in terms of production and returns on the massive capital employed and in generating surpluses for future investment. Union Government's pricing policies of basic inputs affect cost-structure of States' enterprises also. This is an issue often raised. It is also now being felt that the States may find it difficult in future to finance large irrigation and power projects using the latest technology.

11.4.07 There is growing monetisation in the economy. The transformation from subsistence agriculture to market oriented one and from that to a growing mobility in trade has postulated both problems and

opportunities for financial management. The nationalisation of the bigger banks and the growth of deposits in them and the non-nationalised banks on a massive scale, has forced the banking sector to seek new lines of remunerative employment of funds and in providing development banking. The banking habit is spreading and a surge in domestic savings is visible in the monetary sector. The capital now available for both private and public sectors has to be supported by suitable infrastructure and institution-building and development. The proper proportioning of the demands of the private and public programmes and priorities in the use of the resources which, though quite large, are still insufficient in relation to the needs, has to be constantly appraised and the Plans adjusted. The States want to have a say in all this as it vitally affects their development plans. There is conflicting demand for capital resources from the public and the private sectors. This necessitates a controlling role for the Union which alone can assess the situation from a national angle.

11.4.08 The mix of fiscal, monetary and other economic policies has a crucial supporting role in realising the plan objectives. This involves both macroaspects of promoting savings, investment and growth, price stability and resource mobilisation as also structural aspects concerning equity and social justice. The volume and sophistication in fiscal and monetary management has increased perceptibly; a variety of regulatory and incentive measures have also come in vogue.

11.4.09 The strategies adopted in the coming years will have to reckon with the need to raise production and productivity in every sector. Substantial investments have been made by both the Union and the State Governments in a large number of projects, e.g., irrigation, power, transport and industries. Unless these investments yield adequate returns and generate sufficient surpluses, the economy cannot go forward. Higher production and greater returns from the assets already created would have to be given the highest priority. Higher productivity will have to be brought about with the help of improvement in technology.

11.4.10 We have mentioned all these aspects to underline the basic fact that planning has to be a co-operative endeavour. There has to be a reaffirmation of faith in planned development which automatically implies a reiteration of the will to adhere to the discipline involved. The strategy of development involves identification and mobilisation of resources, drawing up of priorities for their allocation and devising the necessary instrumentalities in a policy framework to ensure that the resources got deployed in the priority sector efficiently and economically. These three elements can be achieved only through a commitment at the national level to the objectives and policies of the national plan.

11.4.11 Planned development over the past decades has brought about a familiarity with procedures of planning on the part of government departments, institutions and functional groups. Such maturing influence also constitutes a precondition for a broadbased, meaningful public participation. It is essential to guard against ritualising the functions and throwing out the substance. It is equally necessary that the institutional arrangements are reviewed and reformed periodically to be adequate for the tasks ahead.

5. SCRUTINY OF STATE PLANS

11.5.01 In para 11.1.03, we have noticed the broad contours of the criticism of the present planning system. In this section we consider the specific complaints and suggestions in regard to the working of Union-State relations in the sphere of planning.

11.5.02 A general complaint of the State Governments is that they are required to adhere to unduly rigid and detailed Union directives mainly because of their dependence on the Union Government for plan funds. The perceptions on these matters, however, vary. The views of the State Governments may be summed up as under:

- (i) Most of the States have maintained that they are not given due opportunity to participate in national planning. The present process of consultation involving the States, commences after the broad features of the Five Year Plan are already cast.
- (ii) While most of the State Governments agree that the Planning Commission should lay down broad national priorities and targets, they have urged that the States should have greater freedom and flexibility in formulating the details of the schemes concerning their spheres. They complain, that their initiative in this regard is restricted by (a) the procedures of detailed

scrutiny and finalisation of State Plans; (b) the mechanism of Central assistance and earmarking of outlays, and (c) the control exercised by the Union Ministries through the Centrally Sponsored Schemes.

(iii) Some states have categorically stated that while national priorities may be incorporated in the state Plans, they should emerge as consensus among the Union and the States and for this purpose the status and structure of the NDC and the Planning Commission should be suitably changed. One State Government has, however, expressed an apprehension that incorporation of national priorities in State Plans will give greater scope to the Planning Commission to interfere with the States' autonomy.

11.5.03 We have had the benefit of the views of several experts and knowledgeable persons also. They are unanimously of the view that the national plan should be drawn up by the Planning Commission and approved by the National Development Council. Most of them are also of the view that the States should have greater initiative and freedom in formulating schemes in their own spheres within the broad parameters of the national plan. Further, the need for greater involvement of the states in the process of plan formulation has been emphasised. It has also been suggested that the National Development Council should be made more effective through appropriate changes in its status and procedures. Suggestions have also been made separating the spheres of planning of the Union and the States, minimising the component of the Centrally Sponsored Schemes and doing away with the component for 'Social Problems' in the Modified Gadgil Formula (10 percent) which is considered to be a discretionary element, in the allocation of Central assistance among the States.

11.5.04 In the late Sixties, the Administrative Reforms Commission had considered the administrative aspects of Union-State relations in the sphere of planning and development. It had also noted both excessive involvement of the Centre in the plans of the States and inadequate consultation between the two levels in planning. Accordingly, the Administrative Reforms Commission had recommended, among other things²:

- (i) strengthening of State Planning Boards;
- (ii) limited scrutiny of State plan schemes by the Planning Commission;
- (iii) allowing greater freedom to the States to formulate details of their plans within the broad guidelines given by the Planning Commission and approved by the National Development Council;
- (iv) restructuring of the Working Groups and representation of States' on them;
- (v) a more effective role for the National Development Council as a forum for arriving at consensus and in guiding economic policies, and
- (vi) putting of limits on the Centrally Sponsored Schemes.

States Participation in National Planning

11.5.05 We begin by considering the States' complaints of inadequate opportunity to participate in national planning.

11.5.06 The process of plan formulation begins with the appointment of various working Groups and preparation of an Approach paper enunciating the objectives and strategies. Studies by Working Groups/Task Forces on sectoral problems and preparation of the Approach Document is a crucial stage of national planning in which the rationale and features of plan policy—objectives, priorities and strategies—get crystallised. In 1968, in its report on 'Machinery for Planning', the Administrative reforms Commission had observed: "The National Plan will assuredly be executed with greater enthusiasm and energy if those who are charged with the task of implementing them also participate in their formulation..... Also there has been very little representation of non-Official experts and experts from the states. It is necessary that Groups should be broad based. There is need to bring in experts from the States as well as from outside the Government." (para 41, Pp 13-14). The Administrative reforms Commission had recommended, among other things, that the Working Groups dealing with State List subjects should also have some specialists from States Planning Boards and State Governments.

11.5.07 At present the allocation of studies and constitution of Central Working Groups is done by Planning Commission. We have been informed by the Planning Commission that in the Working Groups set up in connection with the Seventh Five-Year Plan, the members were drawn from the Planning Commission, Union Ministries/Departments, other institutions, State Governments and experts in the field. An analysis of the Composition of these Working Groups (126 in all) indicates that out of about 40 dealing with subjects in the State List, officers from the State were represented on 38 Working Groups. On these, as well as some others, non-official experts and office-bearers of concerned corporations/institutions located in the States were also represented. It is, however, found that on a number of Working Groups where States' participation could have been very useful, their representation was lacking, *e.g.*, Working Groups/Study Groups on 'The Study of Financial Resources', 'Major and Medium Irrigation Programmes', 'Command Area Development Programme', 'Flood Control', 'Power', 'Consumer Durables and Light Engineering Industries', 'Environment', 'Monitoring and Evaluation', 'Employment Strategy', 'Identification of technical Manpower Shortage', 'Civil Supplies', 'Industries' and the Study Group on 'Concepts and 'Estimation of Poverty Line'.

11.5.08 We would like to clarify that in our opinion the desirability of States' representation on the Working groups should not be considered from the standpoint of any balancing of Union *vis-a-vis* States' interests, but mainly to involve suitable experts who are dealing with the development programmes in the field and possess special knowledge of the Problems and latest developments.

11.5.09 A State Government has drawn our attention to the fact that even on some Central Plan sectors like coal, steel, cement, petro-chemicals, railways, major ports, airways, tele-communications, etc., the State should be consulted as these sectors are vital to their progress. This is a matter which should be kept in view while setting up the Working Groups.

11.5.10 We recommend that on the Working Groups set up to study sectoral programmes in the context of formulation of Five Year Plan concerning State subjects, the Deputy Chairman, Planning Commission appoints member of a State planning Board as Chairman, and the Secretary of the concerned Union Ministry as Vice-Chairman and an officer of the Planning Commission as Member-Secretary.

11.5.11 Planning Commission has informed us that it had suggested to the State Governments to set up their own Working Groups and also take steps to formulate their own approaches to the Five Year Plan. The Administrative Reforms Commission had noted in 1968 that the desired communication between the Central and the State Working Groups was lacking. The Planning Commission recently informed us on this subject as follows:

"Methodology for taking preliminary steps by the States is not uniform or Standardised. It differs from State to State depending upon their planning capabilities and other factors. Some States had set up Working Groups as was done by the Planning Commission, others got this work done by their Department/Planning Board and so on."

11.5.12 We recommend that coordinated action between the Central and State Working Groups should be ensured. For this, the Central Working Groups themselves should take the initiative in establishing contact with their counterparts in the States at an early stage.

Approach Paper

11.5.13 In the context of States' involvement in the preliminary stage of the preparation of the Five Year Plan, the Planning Commission has attached significance to the fact that the views of the States are invited in preparing the Approach Paper and that this document and the reports of the Central working Groups are circulated to all the States. Further, the Approach Paper is discussed and approved in the meeting of the National Development Council, which has representation of all the States.

11.5.14 So far as the circulation of the Working Group reports to the States is concerned, the desirability of this action is obvious, but in our view, not enough. However, in the consideration and approval of the Approach Paper by the States and the NDC, the following deficiencies are noticed:

- (i) The States are not sufficiently associated with the evolution of the Approach Paper as the technical and background studies are undertaken by the Planning Commission as an 'in-house' exercise.

- (ii) A set of alternative from among which the NDC could make a choice is not placed before it.
- (iii) The time allowed to the State Governments to participate in the process (*e.g.*, 12 days to consider Seventh Plan Approach Paper) is not sufficient.
- (iv) The conferencing procedures generally followed by the NDC are not adequate for meaningful discussions, thus precluding any significant modifications in the proposals.

11.5.15 In view of the above, it would appear that the role of the States at the crucial stage of formulation of the approach to the Five Year Plan, is more in the nature of being informed, or, at best, a formal association rather than of active participation. Translation of the Approach into concrete targets and other quantitative magnitudes in the form of the Draft Plan usually follows the para-meters evolved by the Working Groups.

11.5.16 In our view, while the Planning Commission has a crucial role in initiating the approach to the national plan, a more active involvement of the States in evolving Plan objectives, priorities and strategy will go a long way in making planning result-oriented. It will substitute commitment for mere consent to the national plan.

11.5.17 Indeed, the starting point of the whole process of plan formulation is the mandate given through the NDC to the Planning Commission, setting out the contours and objectives within which the Plan would be formulated.

11.5.18 It has been brought to our notice that the States' initiative in this regard is also somewhat lacking. We believe that this is partly due to inadequate development of planning capabilities in some States. Partly, this may also be attributed to the fact that the present practices do not permit or encourage meaningful participation of the States in evolving the basic features of the national plan.

11.5.19 The selection of studies should invariably be done under the guidance of the Standing Committee of the National Economic and Development Council, later proposed by us.

11.5.20 It would be necessary for a thorough consideration of the Approach Paper that it is made available to the States at least two months prior to its discussion in the NDC alongwith the relevant data and options considered by the Planning Commission in preparing it. We have subsequently drawn attention to the need for strengthening the planning machinery and formation of effective Planning Boards as the apex planning body at the State level with the chief Minister as Chairman and a full time Deputy Chairman. The Deputy Chairman and Members should be experts in various disciplines relevant to the State Plan.

11.5.21 In our view, a meeting of the Deputy Chairman, Secretaries of all State Planning Boards should be convened by the Planning Commission at least two weeks before the NDC meeting to consider the Approach Paper or Draft Five Year Plan. This should be of the nature of a "preparatory meeting" at official level for helping the meeting at the Minister level, especially for identifying the main options and preparing brief agenda notes on points requiring decision by the NDC.

11.5.22 We are of the views that close and fullest involvement of the States at all stages of Plan formulation is very essential for the successful implementation of the same. We recommend:

- (a) NEDC³ should be involved in the formulation of the Plans right from the beginning. Selection of studies and setting up of various Working Groups should be done under the guidance of the Standing Committee of the NEDC.
- (b) The draft Approach Paper should be circulated to the States at least two months in advance of the meeting of the NEDC to consider the same. It should contain all relevant data, alternate strategies, etc.
- (c) A preparatory meeting should be held by the Planning Commission, with all Deputy Chairmen and/or Secretaries of the State Development Boards two weeks prior to the NEDC to consider the Approach Paper/Draft Five Year Plan for identifying the main issues and firming up the agenda for the meeting of the NEDC.
- (d) Deliberations in the NEDC should be so structured as to facilitate meaningful discussion on each item of the agenda. Sufficient time should be available for the same, so that, after the general

statement by the Prime Minister and Chief Ministers, there is enough time for discussing individual items of the agenda. It will help provide more time for discussion, if prepared general statements of Chief Ministers are circulated before hand and the Chief Ministers read out only a brief summary.

- (e) Minutes of the discussion in the NEDC should be recorded itemwise.

Formulation, Scrutiny and Finalisation of State Plans—Guidelines

11.5.23 We now consider the allegation about Planning Commission's dominance in the formulation, scrutiny and finalisation of the State Plans. In Section 3 of this Chapter we have stated in detail the procedure followed in this regard. The first stage here is the issue of 'guidelines' by the Planning Commission to the States. These guidelines draw attention to the Plan objectives and the needed thrust in different sectors and lay down formats for preparing information on physical and financial proposals for consideration in the Planning Commission. As such these guidelines do not carry any element of compulsion. They also do not suggest any proportion of outlay to be allocated to major sectors and leave the State Governments free to formulate schemes as per their needs. The common format facilitates subsequent processing and compilation of information. In the context of the Seventh Five Year Plan, more than two months time was given to the States for preparing and sending their proposals. This cannot be said to be inadequate, as the broad schedule of planning is well known to them and sufficient ground-work is already done by their departments. In view of the above and as no complaints with respect to the 'guidelines' have come to our notice, we do not consider it necessary to suggest any change in this regard.

Assessment of Resources

11.5.24 States' estimates of financial resources and proposals in regard to sectoral programmes are considered separately. Forecasts of financial resources for the plan period are called from the State Governments on standardised formats including annual projection of receipts and expenditure. These are examined in a Working Group consisting of officers from the Planning Commission, Ministry of Finance and Officers of the State Government concerned, representatives of the Reserve Bank of India and of some other financial institutions. The scrutiny of the forecasts involves reference to the allocations and norms adopted by the Finance Commission on non-plan side to estimate availability of budgetary surpluses for the Plan. Estimate is made thereafter of additional resources mobilisation considered feasible. Market borrowings and negotiated loans are added to these as also the share in Central Plan assistance to arrive at an estimate of the Plan size.

11.5.25 We would like to emphasise here that the assessment of resources of the States undertaken by the Working Group perhaps constitutes the only opportunity in an annual setting when a review of States' finances in some details is undertaken subsequent to the report of the Finance Commission. It is, therefore, of considerable significance. The discussions in the Financial resources Working Groups should be taken as an opportunity to emphasise the need for adhering to the regimen given by the Finance Commission and for prudence in fiscal management.

Scrutiny of Schemes

11.5.26 After the estimation of the States' Plan size, a detailed scrutiny of the States' sectoral plan proposals is undertaken. For this purpose, a number of Working Groups (about twenty) are set up in the Planning Commission. It has been alleged by a number of State Governments that this stage of scrutiny of the State Plan schemes often strays into too much detail. There is strong opinion that once the broad objectives, priorities and strategy are approved, the States should be allowed freedom to formulate schemes suiting their circumstances.

11.5.27 Indeed, during the scrutiny, details of individual schemes proposed by the State Governments are gone into. In this respect, the time-element is also important. The Administrative Reforms Commission had noted that the Working Groups often received the proposals quite late and do not get sufficient time to study and analyse them properly⁴. On the other hand, the Planning Commission has informed us that generally the plan proposals are now received about a week before the Scheduled date of discussion and the members of the Working Group get sufficient time to analyse and scrutinise them.

11.5.28 In practice, the details of the schemes are worked out by the States themselves. The examination in the Working Groups⁵ includes both ascertaining progress of the on-going programmes, which constitute a large proportion of the total plan, especially in the context of the Annual Plans, and enquiring about the physical progress and financial requirements. In the Working Groups, the schemes formulated by the States are examined in consultation with them with a view to ensuring that they correspond to the accepted national priorities and can be accommodated within the resources available for the Plan.

11.5.29 The States' plan proposals generally aggregate to much more than the estimates of financial resources available for the plan. The Working Groups in spite of their concern for adequate outlay for their respective sectors, find it necessary to recommend modifications in the outlays keeping in view the sectoral priorities and, in particular, financial resources likely to be available. The Advisers (State Plans) have to perform the unenviable task of suggesting further cuts in the outlays, generally with a view to bringing them closer to the resources estimated for the Plan.

11.5.30 It is only after the meeting of the State Chief Minister with Deputy Chairman, Planning Commission that some of the recommended cuts are restored. These often result from assurances given by the Chief Minister of 'additional resource mobilisation' and/or for better performance of their public enterprises, etc., and/or scope for additional market borrowings. It may be pointed out that at the time of formulation of the Sixth and Seventh Five Year Plans very few States were able to communicate the forecasts of additional resource mobilisation. Similarly, the exact quantum of Central assistance and market borrowings also became known quite late. These resources, however, were taken into account when the Five Year Plan was finalised in the meetings between Deputy Chairman, Planning Commission and State Chief Ministers. The resources position as made known subsequently corresponds to the finally agreed plan outlays (Annexure X 1.4). Annexure XI. 4 A, B and C show the aggregate outlays proposed by the State Governments, recommended by the Working Groups and Adviser (State Plans) and as finally agreed between the State Chief Ministers and the Deputy Chairman, Planning Commission. The information relates to the Annual Plan (1984-85), Seventh Five Year Plan (1985—90) and Annual Plan (1985-86), respectively. The following important points emerge:

- (i) The outlays proposed by the State Governments are generally much higher than the finally agreed amounts, even though the latter have already stretched the resources to the full.
- (ii) The Working Groups generally reduce the outlays proposed by the States, but, at times, increase the outlays also under departmental pressure.
- (iii) Advisers (State Plans) generally further prune the recommendations of the Working Groups. These are brought closer to the quantum of plan resources originally assessed by the Resources Working Group.
- (iv) The finally agreed plan-sizes in most cases are higher—in several cases considerably higher—than the outlays recommended by Advisers (SP). This is because sizeable resources are 'found' at the time of discussion between the Deputy Chairman, Planning Commission and the State Chief Ministers. Obviously, no scrutiny of these proposals for additional resources is possible at this late stage before accepting them.

Weaknesses in Examination of State Plans

11.5.31 We note certain deficiencies in the present system in the scrutiny of State Plans and would like to suggest the following improvements. Firstly, it should not be necessary for the Planning Commission to scrutinise in detail all the individual schemes. It should concentrate on important ones involving large outlays, foreign exchange component, inter-State aspects and those relating to the core-sector Plan.

11.5.32 Secondly, the present practice of States submitting plan proposals whose financial implications are far higher than the estimated resources, must be firmly discouraged. This takes place partly because the States boost up plan outlays taking the previous years anticipated plan expenditure as the base without taking a realistic view of their own resources and partly because they wish to make out a case for a higher

order of financial assistance from the Union. Such an approach is against the very rationale of planning. Therefore, after the estimation of financial resources, proposals of sectoral outlay making a significant departure from them should not be entertained by Planning Commission. This in itself will act as a restraining influence on inclusion of low priority schemes in the Plan.

11.5.33 Thirdly, as firm resource estimates are not arrived at in the Resources Working Group, additional allocations are made in the meeting with the Chief Minister, frequently without the benefit of detailed scrutiny by the Working Group or Advisers (State plans). This often results in a situation where for want of resources, high priority projects and programmes particularly those nearing completion, are inadequately funded and the newly found resources are sought to be applied to new starts, which is a negation of planning.

11.5.34 Emergence of a more or less final plan-size at the stage of the Resources Working Group would require prior decision on the quantum of Central assistance and market borrowings which should not, in our opinion, pose a serious problem. Estimation of a firm plan-size in the beginning will have several advantages. Firstly, a more rational formulation of the Plans by the States, with due attention to inter-sectoral priorities and balancing of claims of on-going and new programmes, will take place. Secondly, the concern of the sectoral Working Groups will shift from protecting outlays of their respective sectors in the face of anticipated across-the-board pruning because of lower availability of overall resources, to the qualitative aspects of schemes (viz., feasibility, phasing, inter-sectoral linkages, impact on area development, employment implications, impact on poverty, implications for medium and long-term development strategy, and the like). These aspects at present, do not get sufficient attention. Finally, knowledge of a more or less final plan size from the beginning and corresponding magnitude of outlay proposed, will minimise seemingly *ad hoc* cuts or restoration of cuts in outlays at stages subsequent to the examination by the sectoral Working Groups. Besides causing irritation to the State Governments, often giving an impression of over bearing on the part of Planning Commission, such cuts irreparably disturb the inter-sectoral matrix of development on which the very success of the Plan is crucially dependent.

11.5.35 Finally, the time given to the members of the Working Groups, viz., generally a week, as stated by Planning Commission, is too inadequate to allow them to pay due attention to the type of qualitative aspects mentioned in the previous paragraph. A more realistic time-schedule needs to be prescribed and adhered to. The Working Groups both on resources and sectoral programmes, must receive the forecasts proposals at least three weeks in advance to organise adequate internal examination and consultations prior to the meeting with the State officers. The outcome of the deliberations in the Resources Working Group should be known to the States at least a month in advance so that they may bring corresponding plan proposals to Planning Commission.

Recommendations for improving the Procedures of State Plans

11.5.36 Considering all the facts, we are of the view that the alleged over bearing approach by Planning Commission, in the process of formulation, scrutiny and finalisation of State Plans, is more apparent than real.

11.5.37 We recommend as under:

- (i) In the Financial Resources Working Group, the estimation of plan resources should be realistic. Estimates of additional resources to be mobilised by States, as approved by the Chief Minister, should be available to the Financial Resources Working Group.
- (ii) Planning Commission should not try to scrutinise in detail all the individual sectoral schemes in the States' plans, but concentrate on the key ones involving large outlays, foreign exchange component, inter-sectoral aspects. Most of these belong to the cross-sector plan and have their outlays earmarked. Financial provision for these should be ensured.
- (iii) The practice of States submitting plan proposals aggregating to much high plan-size than that warranted by resources estimated by the Resources Working Group, should be firmly discouraged.

by the Planning commission. Every effort should be made to consider all resources likely to be available at the stage of discussions in the Resources Working Group itself.

- (iv) The meeting between the Deputy Chairman, Planning Commission and State Chief Ministers should concentrate on evaluating the progress made, identification of bottle-necks, review of deviations from plans priorities and the implementation of the programmes for the ensuing year. Substantial changes in the size and content of the plan and allocation of outlays should not generally take place in this meeting.
- (v) If the plan-size of a State is agreed to be substantially enhanced at the meeting between Deputy Chairman, Planning Commission and the State Chief Minister on the promise of 'new' resources, this should be regarded as 'provisional' and the feasibility of the same and the priority of allocation of the additional amount should be subsequently gone into by the Adviser (State Plans) in consultation with the subject-Divisions in the Planning Commission.

Technical approval of irrigation and power projects

11.5.38 The irrigation to the States in respect of technical approval of Irrigation and Power Projects is caused mainly on account of the delay involved in the supply of information to the central organisations and protracted negotiations. A related problem has been that because of substantial cost-escalation and the low financial limit obtaining for a long time, increasingly large number of projects, some with much smaller physical dimensions, become liable to prior technical scrutiny. Several State Governments have drawn our attention to this problem and have suggested that in view of the development of adequate technical expertise with them, only very large projects and those having inter-State dimensions should need prior technical scrutiny before inclusion as plan schemes.

11.5.39 Till 1958 a large number of schemes projects required the approval of the Union Government. However, a measure of decentralisation was effected subsequently in many sectors. The limit of the cost of the power projects which need to be cleared by the Central Electricity Authority and the concerned departments of the Union Government before inclusion in the plan, was raised in 1985 from Rs. 1 crore to Rs. 5 crores. This was effected on the representations made by several State Governments highlighting significant cost-escalation on account of price rise.

11.5.40 so far as irrigation projects are concerned the major projects and those involving inter-State aspects, are required to be cleared by the various Directorates of Central Water Commission, Department of Environment and Ministry of Irrigation before submission to the Central Advisory Committee of the Planning Commission for acceptance. The medium irrigation projects are scrutinised by the Technical Examination Directorate of the Central Water Commission after going through the information supplied on the prescribed proforma. Till 1978, the major and medium irrigation schemes were defined in terms of financial costs. As the cost escalation was a continuous phenomenon, the classification of the irrigation projects between major and medium was subjected to frequent changes. To get over this problem, physical norms were introduced in 1978. Now, the major irrigation projects are defined as those which have Cultural Command Area (CCA) of more than 10,000 hectares and medium irrigation schemes are those which have a CCA between 2,000 and 10,000 hectares.

11.5.41 There is a complaint that the technical scrutiny mentioned above is quite time-consuming. In case of the irrigation projects, the Central Water Commission has informed us that the average length of time in clearing the projects by it had come down from about 42 months in 1978-79 to about 28 months in 1980-81, which itself is much too long. Many a time, however, the State governments themselves are responsible for the delay, because of inadequate investigations, unrealistic cost-estimates, incomplete data and inadequate appraisal of the inter-State aspects.

11.5.42 By their very nature, major irrigation and power projects involve complex inter-State aspects and substantial outlays including large foreign exchange component. For these very reasons the Central scrutiny of these projects has been conceded by many. We have earlier suggested greater freedom to States in the formulation of schemes for their plans. However, such decentralisation should be contingent on development of adequate planning and technical capabilities in the States.

11.5.43 Having regard to the need for greater decentralisation, we recommend that the norms and conditions for prior approval of projects/schemes by the Union Government, Planning Commission and

Central Electricity Authority should be reviewed every fifth year or earlier, if need be, and got approved by the National Economic and Development Council.

11.5.44 It has been noted that the State Governments and the Union Ministries, in their eagerness to formulate a large plan have sometimes included a number of schemes, which are not matched by available resources. Several such schemes are of low priority. As a result, scarce resources get thinly dispersed over a large number of projects. This is yet another factor which causes abnormal delays in completion of projects and achieving the targetted benefits. Annexure XI.5 provides an illustration of irrigation schemes which have been continuing for long periods accompanied by manifold cost-escalation. One of the reasons for projects continuing from one plan to subsequent ones is their inadequate funding. Since these projects take a long time for completion, it is necessary that these are planned in such a manner as to yield benefits as the construction goes on.

6. CENTRAL ASSISTANCE, EARMARKING OF OUTLAYS AND CENTRALLY SPONSORED SCHEMES

Central Assistance

11.6.01 The allocation and the pattern of Central assistance has been criticised by several States. Their views in this respect are summarised below:

- (i) There are sharp differences among the States regarding the criteria for allocation. Some have expressed satisfaction with the present set of criteria while others have suggested some modifications suiting their own situations. Some of the less-developed States have pleaded for introducing greater progressivity in the allocation criteria.
- (ii) Almost all the State Governments have emphasised revision of the present pattern of Central assistance. They favour a larger grant component on the ground that the plan investment does not result in commensurate financial returns to them. There are, however, variations in the specific patterns suggested by them.
- (iii) Another criticism is that the formula-assistance allocated on the basis of 'special problems' (10 per cent) carries as element of discretion.
- (iv) Several States have criticised the terms of channelising the component of Central assistance for the externally aided projects, viz., non-transference of the full amount and charging higher interest than paid to the international lenders.

11.6.02 In the Chapter on Financial Relations, we have dealt with the controversy regarding plan transfers being made outside the purview of the Finance Commission. We consider here, the allocation of Central assistance and the issue that dependence of States on Central plan assistance to implement their plans curbs their freedom and flexibility.

11.6.03 It would be pertinent, while considering the merits of the criteria for allocation of Central assistance among the States, to take note of the fact that the total quantum of Central assistance flowing to State plans has several components. An idea of these components in the Sixth and Seventh Five Year Plans can be had from the following table:

Sl. No.	Central assistance for	Sixth Plan amount		Seventh Plan amount	
		(Rs. crores)	(Percentage)	(Rs. crores)	(Percentage)
(1)	(2)	(3)	(4)	(5)	(6)
(i)	Hill Areas	560	3.6	870	2.9
(ii)	Tribal Areas	470	3.1	756	2.5
(iii)	North Eastern Council	325	2.1	575	1.9
(iv)	Border Areas Development programme . .	*	*	200	0.7
(v)	Other Programmes . .	. .	. .	58	0.2
(vi)	Externally Aided Projects	1,450	9.5	3,800	12.8
(vii)	8 Special Category				

States	3,245	21.1	7,102	23.9
(viii) Formula assistance under Modified Gadgil Formula	7,700	50.2	16,525	55.6
(ix) I.A.T.P. **Formula	1,600	10.4	..	..
(x) Less Adjustment for advance plan assistance given for relief works	..	..	(-)149	(-)0.5
TOTAL	15,350	100.0	29,737	100.0

* Not separately indicated.

** Income Adjusted Total Population.

11.6.04 It would be seen from the above table that about 55 per cent of the total Central assistance is passed on to the States under the Modified Gadgil formula. In this, the dominant factor is population (60 per cent), which is a scale factor. However, progressivity is contributed by two criteria—'Per Capita income below national average' (20 per cent) and 'Special Problems' (10 per cent). Earmarking of funds for special category States and for special areas serves the purpose of channelising Plan investment into the more backward areas. The requirements of the relatively weaker States is taken care of through need-based allocation considered individually and/or application of a special liberal pattern wherein 90 per cent of the assistance is given by way of grant. On the other hand, additional assistance on account of externally aided projects has helped the advance States as they are better situated to formulate and expeditiously execute these projects. But this reduces progressivity. The pattern evolved over the years is a complex mosaic, providing, *inter alia*, for the needs of weaker States, specially backward areas.

11.6.05 It will also be relevant here to point out that allocations under some of the components of Central assistance outside the Modified Gadgil Formula, are also based on pre-determined criteria. For example, Special Central Assistance for the Tribal Sub-plans is done on the basis of a three-factors formula, viz., total Scheduled Tribes population in the State (50 per cent weightage); area occupied by Scheduled Tribes population (30 per cent weightage), and inverse proportion of State Domestic Products (20 per cent weightage).⁶

Similarly, special Central assistance for Sub-plans of hill areas (of Assam, Uttar Pradesh, West Bengal and Tamil Nadu) is distributed among the concerned States on the basis of hill-area and population with equal weightage. In the Western Ghats region (in Maharashtra, Karnataka, Kerala, Tamil Nadu and Goa), the Special Central assistance is allocated with 75 per cent weightage to area and 25 per cent to population.⁷

11.6.06 In individual segments, the allocation of Central assistance among the States will appear to be based on relevant considerations. But, given differential fiscal capabilities of the States, their impact on plan requirements needs to be examined in its totality. Several State Governments have represented to us that Central assistance flowing to them does not correspond to the criteria suiting their circumstances.

11.6.07 Any change in the allocation criteria of Central Plan Assistance should be preceded by a comprehensive examination. As the different components of Central assistance for the State Plans got incorporated at different points of time, we are of the view that such a review is over-due. In view of acute overall constraint of resources, a system will have to be evolved which, while ensuring a measure of equity, would at the same time encourage efficiency in the mobilisation and use of resources.

11.6.08 Ours is a vast and diverse country. It is a Union of States, both large and small. It is well-high impossible to evolve a single formula which would satisfy all the States, for the simple reason that State have very different resource endowments and levels of development. Each State has its own peculiar problems. There are less-developed regions even within advanced States. We have to view the existing arrangements in the above context. Indeed, in making overall allocations a reasonable balance has to be struck so that while providing for sufficient progressivity to the relatively backward States the pace of development of the more advanced State is not significantly restricted. Discontent in richer States can be no less troublesome than that in poorer States. We are of the view that the NEDC is the most appropriate forum where such matters should be discussed and national consensus arrived at.

11.6.09 The suggestion made in the Chapter on Financial Relations that richer (or advanced) States, which are better equipped to service loan funds should be encouraged to take loans and thereby release more grants for enabling the poor (or backward) States to build up the necessary infra-structure, needs to be given special attention. We may also reiterate here the principle that Plan loans from the Union and, indeed, other borrowings by the States also, should be, as far as possible, utilised for such schemes which will yield sufficient returns within a reasonable time to enable the States to service loans.

11.6.10 We are of the view that a time has come to review the two-fold loan-grant pattern of Central assistance, 70 : 30 and 10 : 90, and replace it by suitable three or four-fold patterns, such as 70 : 30, 50 : 50 and 20 : 80, or 90 : 10, 60 : 40, 40 : 60 and 10 : 90, respectively, taking into account loan servicing capacity of the States and their per capita State Domestic Product. A decision may be taken by the NEDC on this after expert examination by Planning Commission and consideration of various options. The revision of the pattern of Central assistance favouring a higher grant component will reduce the need for extensive debt-rescheduling by Finance Commissions.

11.6.11 The ten per cent allocation made towards the 'Special problems' of the States within the Modified Gadgil Formula, is often criticised as a discretionary element. It may be pointed out that although no prior data-based criteria are used to determine this allocation, there are reasonable bases for the same. Till the Fifth Five Year Plan, the special problems were generally reckoned in terms of needs of hill and tribal areas, desert areas, poor infrastructural and social overhead facilities, etc. Many of these are now included in the Minimum Needs Programme and in the Sub-plans and special programmes. The 'Special Problems' component of Central assistance is reported to be increasingly utilised to make up for the shortfall in plan-resources.⁸ Along with other components, the ten per cent allocation is also fixed for the Five Year Plan period and does not permit any changes year to year. While we are not suggesting any *inter se* change in the set of criteria, which requires detailed exercises with a number of options, it may be noted that the real extent of discretion, which is complained of, is in practice, much less than 10 per cent in view of a number of other conditions prescribed. Flexibility to this small extent, in our view is not only inevitable but desirable to cope with unforeseen contingencies.

11.6.12 A view has been expressed that there is no rationale for the size of the Central assistance for the Plan. This has been followed by a suggestion that the National Development Council should determine the size of Central assistance. At present, in the context of the Five Year Plan, the basic exercise about the size of Central assistance is done by the Planning Commission in consultation with the Ministry of Finance. The same is approved by the National Development Council along with the pattern of financing of the Five Year Plan. For the Annual plans, however the size of Central assistance is left to be determined by the Planning Commission in consultation with the Ministry of Finance in the light of the approved Five Year Plan. For the five-year period, the Central Plans assistance actually given is observed to be more than what was initially approved by the National Development Council. We have already noted that the NEDC should discuss in details the strategies to be adopted in the Five-Year Plan as also the sectoral allocations and the split between the Union and State Plans. Based on the decisions of the NEDC in regard to the above, the quantum of Central assistance for State plans can be determined by the Planning Commission, after taking into account the resources of the States. Central assistance is to be reckoned as a part of overall resource exercise for the Plan. The determination of its overall size, etc. will be sound if the States' own resources are estimated realistically. These are the matters which may be periodically reviewed by the NEDC during the course of a Five Year Plan. We, therefore, do not consider it desirable that the NEDC should as such concern itself with the determination of the size of Central Plan assistance.

11.6.13 It has been complained by a number of States that Central assistance for the externally aided projects is not transferred to them in full and that the Union Government charges a much higher rate of interest (over 8.75 per cent now) on it, than it itself pays to the foreign lenders. It is understood that channelling of external aid to the States is done as part of the integrated financial management of Union Government's debts. The amount received by the Union Government is treated as part of its own finances out of which the aid is provided to the States. Union Government has pointed out that while its present weighted average rate of interest on external borrowings is 2.5 per cent, the weighted average in regard to all borrowed funds is 9.9 per cent as against average interest rate of about 8.75 per cent charged to the States on Central Loans. If the States in which foreign aided projects are located, pay 2.5 per cent, other States will have to pay much more than 8.75 per cent. This will not be equitable, specially because bulk of

the States with foreign aided projects are generally more advanced than others. We would, therefore, emphasise that a segmented approach in this regard should not be followed. It is, however, desirable that the entire rationale and procedure should be explained or clarified for a better understanding to the NEDC.

Earmarking of Outlays

11.6.14 In Section 3 of this Chapter we had noted the rationale and coverage of the mechanism of earmarking of outlays. Some of the States have complained that the system of earmarking reduces their freedom and flexibility in utilising resources in accordance with their priorities. They have also drawn attention to the fact that a very large part—60 per cent—of the total outlay is earmarked. On the other hand, Planning Commission has pointed out that it is only for the very important segments of the plan that resources are earmarked, e.g., irrigation and power projects. Even when a sector is earmarked, within the sector there is considerable flexibility. For example, outlay in regard to Agriculture is in totality earmarked, but within this sector for programmes like minor irrigation, soil conservation, etc., it is not earmarked individually. Further, they have also drawn attention to the procedure which permits reasonable changes in the earmarked outlays if proposals for the same are sent to the Planning Commission before a stipulated period (upto November) each year.

11.6.15 In a developing economy with resource constraint, it is only rational to ensure purposive utilisation of funds. There can be no two opinions that diversion of resources from high priority purposes should be strictly discouraged. We note that the system of block assistance to the States was evolved at the beginning of the Fourth Plan in order to give the States a greater flexibility in the utilisation of resources. Earmarking of as much as two-thirds of the total outlay, it has been alleged, erodes the flexibility given to the States. We note that earmarking of outlays is done in regard to sectors of high national priority like irrigation and power. We are of the view that the system of earmarking is essential to ensure that plan priorities are observed in the overall national interest. But there should be judicious selection of projects and programmes for earmarking. Once selected, the earmarking should be strictly enforced as otherwise it would be a meaningless exercise.

11.6.16 We recommend that a periodic review of the system of earmarking of outlays is desirable and should be discussed and approved by the NEDC along with other aspects of the Central assistance mechanism before the beginning of each Five Year Plan.

Centrally Sponsored Schemes

11.6.17 The Union Government incurs substantial expenditure on subjects included in the State List, mainly in the form of Centrally Sponsored Schemes. Annexure-XI.6 gives the break-up of the Sixth Plan outlay for Union, States' and Union Territories' Plans by heads of development. It may be seen that while agriculture and rural development are mostly State subjects, about 43 per cent of outlay on them has been in the Central Sector Plan Under Rural Development, the programmes of Intergrated Rural Development and National Rural Employment Programme account for the bulk of the Union's plan outlay. Even in the sphere of village and small industries, the Union's plan outlay accounts for about 52 per cent of the total outlay. Under Health (including medical), Housing, Urban Development and Water Supply which are exclusively in the State List, the outlays in the Central Sector Plan are quite sizeable.

11.6.18 It would appear from the above that the Union Government has assumed responsibility, generally through the Centrally Sponsored Schemes, to support development efforts in several subjects which essentially belong to the States. These schemes have grown considerably over the years. The proliferation of Centrally Sponsored Schemes was noted by the A.R.C. in 1967. For a long time this has been a matter of serious concern to the States, especially because most of the schemes belong to their constitutionally defined spheres and many of them are staged to be well within their competence. With a view to containing them, the National Development Council laid down a set of criteria in 1971 and also recommended limiting Central assistance on them to 1/6th or 1/7th of that for the State Plans.⁹ In 1979, on N.D.C.'s recommendation it was decided to transfer 72 schemes to the State Sector and retain only 75 schemes, of which 60 schemes were to be shared on 50 : 50 basis and 15 schemes were to be financed entirely by Centre.¹⁰ But during the Sixth Plan period, these schemes have again multiplied from 75 in 1980-81 to 201 in 1984-85. The outlay on them has increased from Rs. 1,238 crores in 1980-81 to Rs. 3,004 crores in 1984-85.¹¹ In the Seventh Five Year Plan, a total of 262 Centrally Sponsored Schemes (including 24 of autonomous bodies) have been included with a Central Sector outlay of Rs. 15,757 crores.

11.6.19 During the Sixth Plan, out of 200 Centrally Sponsored Schemes, 53 were under Ministries of Agriculture and Rural Development. The total assistance for the Centrally Sponsored Schemes accounted for Rs. 9313 crores compared to the Central assistance for State Sector plan of about Rs. 20,000 crores.¹²

11.6.20 The States have, by and large, criticised the Centrally Sponsored Schemes on the following grounds:

- (a) Lack of consultation with them before they are introduced.
- (b) Arbitrariness or discretion introduced in the transfer of resources on this account.
- (c) Examination of even the minutest detail by the Union Government instead of leaving the detailed formulation to the States within broad guidelines.
- (d) Distortions introduced in the State Plans on account of the matching principles. The lure of 50 per cent of Central assistance induces the State to accept some of the schemes even though they themselves do not give high priority to them.
- (e) Union Ministries build their own empires supported by the concerned Departments of the State Governments, in opposition to those responsible for coordination of planning and finding resources for the accepted plan.
- (f) The uniform approach and contents generally followed in the case of Centrally Sponsored Schemes do not take into account the wide diversity in the local situations.

11.6.21 An overall policy with respect to Centrally Sponsored Schemes does not exist. There is overlapping of coverage in the schemes sponsored by different Union Ministries. At State level also, the consultations are made directly with concerned departments and such schemes are not well integrated with the States' Plans from the beginning. The discontinuation or modification of such schemes in some cases is also alleged to have been wasteful in terms of infrastructure developed for them.

11.6.22 There are, however, no reservations about the need for Centrally Sponsored Schemes in the spheres of survey, research, pilot projects and programmes of inter-State relevance. The States are quite sensitive when programmes within their own spheres and competence, are brought under the Centrally Sponsored Schemes, and as has been alleged, without sufficient prior consultation with them and with rigid conditionality. States have also been critical of inclusion of programmes involving large outlays ostensibly in fulfilment of important national objectives.

11.6.23 This matter has been examined recently by a Committee set up by the Planning Commission under the Chairmanship of Shri K. Ramamurti. The Committee has suggested that Centrally Sponsored Schemes should form an integral part of the National Plan. A Centrally Sponsored Scheme should satisfy one of the following criteria for being taken up as Centrally Sponsored Scheme:

- (a) It should relate to demonstration, pilot projects, survey and research;
- (b) It should have a regional or inter-State character;
- (c) It should aim at building up institutional frame-work for the country as a whole or a region; and
- (d) It should be in the nature of pacesetter with a definite time-frame within which the objectives outlined are sought to be realised.

In evolving the above criteria, the Ramamurti Committee sought to identify the areas in which the Union Government's initiative was justified. The committee also took into consideration the set or four criteria evolved by the NDC earlier and tried to remove ambiguity with respect to them.

11.6.24 Earlier in 1967, the Administrative Reforms Commission had also recommended that the number of Centrally Sponsored Schemes should be kept to the minimum and the criteria laid down for determining which projects should be Centrally Sponsored should be strictly applied.

11.6.25 We are in full agreement with the views of the NDC that the number of Centrally Sponsored Schemes should be kept to the minimum. We endorse the criteria laid down by the Ramamurti Committee. We note that some of the Current Centrally Sponsored Schemes involved very small outlays and could as well be implemented by the States. The Ramamurti Committee had recommended that except the pilot

projects no schemes with an All-India coverage and with an outlay less than Rs. 25 crores should be selected as Centrally Sponsored one. In case of scheme applicable to selected States this limit should be Rs. 10 crores. We endorse this approach subject to quinquennial review of the increase in costs of the schemes. The need for the Union Government initiating pilot projects even in regard to subjects in the States' sphere, having an inter-State, regional or overall countrywise significance but carrying high national priority, is recognised. But these should be formulated in prior consultation with the States. Once a programme has passed the pilot stage and accepted as desirable for implementation on a larger scale, it should appropriately form part of the State-Plans.

11.6.26 It is of utmost importance the Central assistance for these schemes, which is intended to be a selective involvement of the Union in States' subjects, should be kept to a minimum in relation to the Central assistance for the State Plans. We recommend that the ratio of these recommended by the NEDC from time to time, should be adhered to.

11.6.27 We recommend that the Centrally Sponsored Schemes should not be normally started during the middle of a Five Year Plan, as they put unforeseen burden on the finances of the States by requiring them to provide for the matching funds. Should it become necessary to initiate any Centrally Sponsored Schemes during the course of a Five Year Plan, its approval by the Standing Committee of the NEDC should be obtained. The entire expenditure on such a scheme, atleast till the expiry of that Five Year Plan, should be borne by the Union Government.

11.6.28 We consider it very important that the State Government should be fully involved in determining the contents and coverage of the Centrally sponsored Schemes so that local variations and likely difficulties in their implementation are taken care of. Even after formulation of the Scheme, sufficient flexibility should be allowed to the State, in adapting them to local conditions. The Centrally sponsored Schemes, should be discussed with the States, individually, alongwith their Five Year Plans and again during the Annual Plan discussion.

11.6.29 It is understood that on important Centrally sponsored Schemes like IRDP, NREP and RLEGP¹³, conferences of the representatives of the State Governments have been organised by the Department of Rural Development. These conferences are found useful in conducting a sort of concurrent evaluation and in exchanging experience in implementation. We have been informed by the Ministry of Agriculture, Cooperation and Rural Development that for some schemes State Level Sanctioning Committees have been set up which decide the contents of the schemes within the broad guidelines provided by the Union Government. With respect to schemes or rural development, criteria of allocation and procedure for release of assistance are also reportedly decided in consultation with the States. In case of a few schemes in the agricultural sector, inter-scheme transfer of funds for the approved projects has been allowed to the State Government.

11.6.30 It is necessary that an overall review of the Centrally sponsored Schemes should also be made periodically. This could be done by the NEDC. We note that in November, 1985, the NDC constituted a Committee (Chairman : Shri P. V. Narasimha Rao) to review the various aspects of the Centrally sponsored Schemes. This is a step in the right direction.

11.6.31 We strongly recommend that the process of decentralisation in respect of formulation and evaluation of Centrally sponsored Schemes should be pursued further and differences in local conditions given proper weightage, specially with reference to agriculture and poverty alleviation programmes like IRDP, NREP and RLEGP.

7 INSTITUTIONAL ISSUES

Planning Commission—Criticism and Suggestions for Improvement, the Evidence

11.7.01 The main criticism voiced by several State Governments and experts is that over the years the Planning Commission has come to function as a limb of the Union Government, a far cry from the original concept of an expert advisory body serving both the Union and the States "free from the burden of day-to-day administration". This criticism is based on the silent or vocal premise that the Union Government has assumed too dominant a role in the formulation of Plans, even in areas which are very much a part of

States' responsibilities. Some of the knowledgeable persons have pointed out that many a time the Planning Commission is by-passed or is not given due opportunity to examine and render independent advice on the development policies and programmes. It has also been alleged that sometimes the Union Ministries and Departments seeks to use the Planning Commission as an instrument to get the States to fall in line with their own thinking. Frequent changes in the composition of the Planning Commission and insecurity of tenure of its members is seen to be attempts by the Union Government at securing conformity.

11.7.02 Most State Governments are of the view that the Planning Commission should not only work independently, without being influenced or dictated to by the Union Government, but should also be seen to be so functioning as an impartial body on objective principles. These perceptions have led the State Governments and experts to suggest a variety of remedial measures. At one end of the spectrum are several State Governments and many experts who in their publications, or in their submissions to us, have suggested that the Planning Commission should be converted into a statutory institution so that it becomes more of a professional and expert body less prone to political influence. The point which is sought to be made out is that a body like the Planning Commission should not only work independently without being influenced or dictated to by the Union Government, but should also be seen to be so functioning as an impartial body on objective principles. The proponents think that this object can be effectively achieved only by converting the Commission into a statutory body subservient to the NDC, manned wholly by distinguished experts with assured tenure. This step, it is believed, will insulate it against political pressures. Another objective of making it statutory, the proponents think, is that it would become obligatory for the Union Government as well as the State Governments to seek its advice and pay it due regard.

11.7.03 At the other end of the spectrum are many State Governments and experts who, while arguing strongly for making the Planning Commission an independent body consisting of expert, functioning and rendering advice, free from political pressures, point out that making the Planning Commission a statutory body would introduce avoidable rigidity in its functioning. One of them has stated that it would be impractical to adopt the view that the Planning Commission should be made independent of both the Union and the State Governments. This State Government is also of the view that the Planning Commission must necessarily continue to remain an arm of the Union Government but discharge its functions in a federal spirit and has suggested restructuring of the Planning Commission with professional experts and also giving representation to the Chief Ministers on a zonal basis. Another State Government has observed: "A legal framework is usually not suitable for dealing with rapidly changing situations through a multitude of implementing agencies". Yet another State Government has pointed out that in making the Planning Commission an autonomous body under the NDC for over-seeing Plan investment and decision making at the national level, there are advantages as well as disadvantages. According to it, it would make the Planning Commission acquire more independence and objectivity. On the other hand, the disadvantage will be that keeping in view the federal structure of the country and the changes that may take place in the complexion of the States Government from time to time, the coherence and directions of planning may suffer. They are of the view that on the balance, the structure of the Planning Commission as presently constituted could continue although it is important that its shortcomings are removed.

11.7.04 It has been suggested by one State Government that the responsibility of the Planning Commission may be limited to the Central sector of the economy, the preparation of the State sector plans being left entirely to the respective State Planning Boards. The Planning Commission should cease to perform a coordinating role with regard to State Sector Plans and there would be no need for Resources Working Group discussion with the States for their Plans.

11.7.05 Regarding the composition of Planning Commission also the views differ. A few States, as also experts, have suggested formal representation of the States on the Planning Commission, e.g., by including two Chief Ministers as Members for a year or two on rotation basis. But most of the suggestions favour that the Planning Commission should have the character of a high-level technical and advisory body with experts in the fields of economics, managements, science and technology, etc.

11.7.06 A few State Government and others have suggested that the Planning Commission and the Finance Commission should be merged.

11.7.07 It is felt by most of the State Governments and some experts that monitoring and evaluation systems are weak both at the Centre and in the States. Setting up of adequate machinery to improve them and to evolve suitable techniques of monitoring have been suggested in most of the replies.

Role of Planning Commission

11.7.08 In order to examine the validity of the above criticism, it is necessary to recapitulate the role of the Planning Commission. We have noted in paragraph 11.3.03 that one of its important functions is the assessment of the material, capital and human resources of the country. In performing this function, it also estimates the amount of the Central assistance which should be transferred to the States towards their plans. It also estimates, alongwith the Ministry of Finance and the Reserve Bank of India, capital resources that are likely to be available and the extent to which these can be utilised for the Public sector. It renders advice in regard to priorities to be followed. The approval of the Planning Commission is necessary in regard to major irrigation and power projects before they are taken up for execution by the States. Planning Commission also gives advice to the Union Government in regard to investments in the Public sector projects and programmes. It participates in the appraisal of the projects of the Union Government.

11.7.09 Planning Commission also monitors the overall progress of the Plan implementation of both the Union and the States and helps in identifying bottlenecks and remedial measures.

11.7.10 The charter of the Planning Commission envisages certain functions to be entrusted to it by the Union. In practice, it perform *inter alia*, the following functions:

- (i) The Project Appraisal Division undertakes appraisal of all projects and programmes above a certain level of investment.
- (ii) Any new Plan programme or project has to be vetted by the Planning Commission before it goes to the Finance Ministry for acceptance of the financial provisions.
- (iii) The Working Groups dealing with the Central Ministries, are presided over by either the Member or the Secretary of the Planning Commission. The relevant technical Division in the Planning Commission examines the details with the officers of the Ministry before the Working Group meets.

These functions are essentially advisory in nature. One should not lose sight of the fact that the national Plan consists of the Plans of the Union and the States and is implemented by the Union and State Governments. There are several advantages in the Planning Commission carrying out these functions because it helps in the allocation of the limited funds according to accepted priorities and in observing inter-sectoral balances. It helps to develop national infrastructure to support the State Plans.

11.7.11 We have considered the various views placed before us carefully. Economic and social planning does not merely depend on the professional advice of experts. It is also a matter of political consideration and decision. Divorced from the latter, the Planning Commission will lose its momentum. It is the association of the highest political executive, which is the motive force behind the planning process. This propelling force and leadership comes from the Prime Minister and other Union Ministers. The fact the Planning Commission is headed by the Prime Minister and includes the Union Finance Minister, not only gives it stature, but also ensures at a very early stage of plan formulation the commitment of the Union to the policies, programmes and financial outlays, including levels of central assistance. If the Planning Commission is reconstituted by a statute giving it an autonomous status, divorced from the political executive of the Union, its working will be stymied by legalisms, rigidities and technicalities, which are inherent in inflexible statutes. If the statute—as is suggested by one State Government—sharply compartmentalises its functions in regard to Union and State Plans, the planning process will be marred by conflict and discord rather than coordination and harmony. Such a statutory system of planning will be antithetical to the basic principles of cooperative federalism which its proponents claim to asspouse. Further, a statutory status for the Planning Commission, if it dissociates its working from the Prime Minister or the Union Government, will make it lose its mobility and momentum. There can be little doubt that for promotion of socio-economic development an activist institution propelled along dynamic course towards its goal by the united will of the nation would be more efficient to deliver practical results than a statutory body harmstrung by technicalities and possible discord.

11.7.12 As pointed out earlier, 'Economic and social planning' has an interface with matters in all the three Lists of the Seventh Schedule. The very fact that the item 'Economic and social planning' has been placed in the Concurrent List postulates that the Union is competent to lay down a national policy ensuring uniformity in its main principles. It must be remembered that the Five Year Plans deal with many matters within the exclusive competence of the Union. Control over monetary policy, banking, foreign aid and loans, foreign exchange, foreign trade and other financial subjects which are crucial to economic planning, vests in the Union. Many other subjects having an inter-face with planning such as mines and minerals, important industries, railways, shipping in inter-State rivers, inter-State transport, inter-State communication, radio and television, etc., are under the control of the Union. These apart, the bulk of the development finance for the States which is the life-blood of planning comes from the Union. The concept of planning involves a coordinated development of social and economic activities of the nation. Another, but no less important, purpose of planning is removal of regional disparities. Planning, therefore, is best undertaken in a national perspective under Central leadership.

11.7.13 For the reason given in the preceding paragraphs, we do not support the suggestion for converting the Planning Commission into a statutory body. We have suggested in the succeeding paragraphs, certain procedural reforms. Indeed, if these are not fully and effectively implemented, the pressure from the States on the Union for defining the role of the Planning Commission and the NDC by a statute will go on increasing till it becomes irresistible and leaves the Union no alternative but to submit to it against its better judgement.

11.7.14 Planning in our country involves channelisation of development efforts in the context of inter-dependent economic situation and processes. The National Plan is not only a plan for the Central Sector but also a coordinated plan of the States. As pointed out earlier, a close coordination between the Union and the States in the planning process is essential. The Planning Commission has been performing a dual role as, besides advising and participating in the planning functions of the Union Ministries, it has also been advising the States and coordinating their plans. Its tasks are overseen by the NDC. This arrangement has well-answered our planning needs. In view of these reasons, we cannot support the suggestion that the Planning Commission's role may be limited to the Central Sector of the economy and that the preparation of the State Sector Plans should be exclusively left to the State Planning Boards.

11.7.15 The Union and the States have become familiar with the working of the Planning Commission and the NDC during recent decades and have become well aware of their merits, utility, deficiencies and limitations. The remedy, therefore, lies in reforming these institutions and their working, assuring at the same time full and effective consultation with the States at all stages of the planning process so that they feel that their role in it is not that of a supplicant, but of an equal participant.

11.7.16 Conventions have a great role to play in this connection. If healthy conventions are established in regard to consultation with the Planning Commission and due weight is given to its recommendations, then all apprehensions in regard to domination by the Union and Planning Commission being a limb of the Union Government would disappear. It is pertinent to note that while the Planning Commission functions as an advisory body, it is the NDC that takes all the final decisions. The size and contents of the Plan, the objectives and strategies are all decided by the NDC, which is the highest political body at the national level. We have made several suggestions later to make its functioning more effective.

11.7.17 Indeed, perceptions regarding by-passing of Planning Commission in taking major investment decisions have led to the demand for making it a statutory body. We recommend that the Planning Commission must be consulted in taking all major investment decisions.

11.7.18 Some of the apprehensions expressed in regard to the capacity of the Planning Commission to act objectively, seem to arise out of the frequent changes made in its composition. Doubts about its credibility also arise if a politician is appointed as its Deputy Chairman. It is pointed out that the Fifth Plan and the Commission which had prepared it, were terminated ahead of the normal schedule. The Sixth Plan was drafted in 1978 by a new Planning Commission with the change of the party ruling at the Centre. A similar treatment to the panel of the Commission was again meted out in 1980. Even when the same ruling party continued in power, there were frequent changes in the composition of the Planning Commission.

11.7.19 We recommend that to remove these misgivings about its capacity to act objectively, experts with established reputation for professional integrity and calibre should be appointed to its panel for specified terms.

11.7.20 We further recommend that the Deputy Chairman should invariably be an eminent expert, who can command the respect of the Union as well as the State Governments, by his objectivity and stature and should not be seen as a political appointee.

11.7.21 No planning process can be successful unless both the Union and the State have and display total commitment to it and observe the necessary discipline. We note that the State Plans are suffering from the fact that their Planning Boards are not in a position to perform a corresponding role at the State level. If only the State Planning Board were enabled to function in the same manner as the National Planning Commission, there would have been greater adherence to Plan priorities, better maintenance of inter-sectoral balance and less of departmentalisation. An effective State level body would greatly help the Planning Commission at the national level in assessing States' resources and making inter-sectoral allocations in a more realistic manner. In fact, the Planning Commission would then be able to limit its scrutiny to the core sector plan of the States, leaving the rest to be determined by the State level body within the broad parameters of the accepted national plan.

11.7.22 We now consider the suggestion that the State should be represented on the Planning Commission in some form or another. The NDC is the political forum for taking decisions at the national level. We have recommended subsequently that the NDC should be reconstituted under Article 263 to give it a 'Constitutional' status and authority and to provide closer and fuller participation by the States in the entire process of planned development. The Planning Commission should operate under its guidance. If this recommendation is accepted, it will be neither necessary nor desirable to provide representation to the States on the Planning Commission.

11.7.23 The next question for consideration is whether there are any deficiencies in the existing charter of the Planning Commission which in any way inhibit its functioning. We note that the areas of responsibility now set out are comprehensive and do not require any amendment. However, we would like to draw attention to some aspects of its role which have not received the attention necessary and are important for bringing about qualitative improvements in planning as well as for promoting better understanding in Union-State relationship in this regard.

Annual Review of Finances

11.7.24 So far as the respective roles of Central transfers to the States on the recommendations of the Finance Commission and the Planning Commission are concerned, we have already commented on the issue in the Chapter on Financial Relations. Here we would like to emphasise that after the report of the Finance Commission, the occasion for a review of the Union and States' finances arises in the context of resource exercise for the Annual and Five Year Plans. It is of utmost importance that the complement of non-plan finances of the States is looked into in detail by the Resource Working Group of the Planning Commission. Detailed analysis of any aberrations and significant deviations from the norms of the Finance Commission should be made. Besides emphasising the need for optimum mobilisation and utilisation of resources at the official level, such aberrations and deviations should be discussed, among other things, in the meeting between the Deputy Chairman and the Chief Minister of the concerned State.

Monitoring and Evaluation

11.7.25 Qualitative evaluation of the Plan programme and concurrent monitoring in some priority sectors constitute essential inputs for planning. The importance of monitoring for optimum utilisation of resources, adherence to priorities and ensuring Inter-sectoral balance, cannot be over-emphasised. Similarly, comprehensive evaluation of programmes is essential for proper assessment of the impact of Plan programmes. We have been informed by the Planning Commission that it has recently decided to monitor (a) the progress of expenditure against approved plan outlays in all the sectors of the State Plan on a quarterly basis, and (b) progress of achievements in physical terms against targets fixed in the case of all programmes/projects in the earmarked sectors. Besides, the Planning Commission the Union Ministries

also monitor schemes for poverty alleviation, those for the Scheduled Castes and Scheduled Tribes, Power projects and the various items of the 20-Point Programme.

11.7.26 In our opinion, Planning Commission should pay special attention to the efficacy of the monitoring systems in the government by advising on techniques and formats. At the same time, it may continue monitoring of specific programmes and keep itself abreast with the progress in the core and priority sectors. This is also necessary to check diversion of Plan resources. One of the suggestions made to us in this regard, and which merits attention, is the revival of the system of Project Completion Report in the Government.

Quinquennial Review

11.7.27 We further recommend that besides the general reviews contained in the Annual Plan and the Mid-term Appraisal, a comprehensive quinquennial review should be brought out by the Planning Commission, which should be taken advantage of in finalising the next Five Year Plan. Such a review, among other things, should compare the progress made and the qualitative impact of the programmes with the long-term and medium-term objectives of planning.

Core Sector Plan—Role of Advisers (State Plans)

11.7.28 Regarding scrutiny of State Plan schemes, we have already observed that it should not be too comprehensive in coverage. However, greater attention should be devoted to the core sector. A qualitative improvement in the involvement of the Planning Commission in the formulation, implementation and monitoring of State Plans is imperatively called for. In this regard, the role of Advisers (State Plans) becomes crucial. We have been informed that at present there are six Advisers (State Plans) with more or less Zone-wise allocations of States/Union Territories among them. This is a useful arrangement. According to the information supplied to us by the Planning Commission, they visit the States in their charge at least once a year, if not more often'. We are of the view that these Advisers must visit the States more frequently. They could be permanent invitees to the meetings of the State Planning Boards. This will help in transmitting to the States the concerns and priorities of the Planning Commission on the one hand and help in solving the problems of the States and effective monitoring of the progress of their Plans, on the other.

11.7.29 A State Government has alleged that the high turn-over of the senior officers in the Planning Commission, particularly from administrative services, adversely affects the planning efficiency. The Administrative Reforms Commission had also noted that the stay-period of Programme Advisers now called Advisers (State Plans)—was about two years, on an average during 1951—68 and their postings were often in the nature of 'stop-gap arrangements'. According to the information supplied to us by the Planning Commission, the stay of Advisers (State Plans) "has generally been for three years on an average during the Sixth Plan period". It is obvious that in order to build expertise in the Planning Commission, the officers in senior posts should not only have the desired specialisation and competence, but should also serve in the organisation for sufficiently long periods. Serious attention to this aspect will have to be given by the Planning Commission itself.

Role of Middle Level Officers of the Planning Commission

11.7.30 The role of middle level officers, viz., Research Officers to Deputy Advisers, in the Planning Commission in scrutinising State Plan and in analysing issues, is crucial. It is found that although they are drawn from different disciplines and cadres, most of them do not have adequate exposure to field situations. We recommended that as part of a Staff Exchange Programme, officers from the Planning Commission and the State Governments at middle echelons should serve at each other's place for reasonably sufficient periods and suitable incentives and facilities made available to them.

National Development Council

11.7.31 As noted earlier, National Development Council was expected to be an apex institution for arriving at a consensus among the Union and the States on various matters relating to planning and socio-economic development. However, in the actual working of the Council, certain weaknesses have been noted. As early as in 1967, the Study Team of the Administrative Reforms Commission had found the

measure of consultation and examination of issues by the Council "inadequate" inasmuch as aspects of perspective-Planning and possible alternatives were not placed before the Council in sufficient detail. It had also highlighted the shortcomings in its conferencing procedure, viz., short duration of meetings, delays in the circulation of agenda-papers, use of this Council as "a forum for the ventilation of individual grievances rather than for collective discussion of principles and policy", etc. The Study Team recommended a more systematic and in-depth involvement of the Council in all basic questions of planning policy, particularly those pertaining to goals and objectives, and in evolving national consensus.¹⁴

11.7.32 It also recommended a Standing Advisory Committee of official advisers from each State and the Central Government to assist the Council

Criticism and Deficiencies in Working

11.7.33 There has not been any marked improvement in the Council's functioning, even after its reconstitution in 1967. Some of the deficiencies which have been highlighted are enumerated below:

- (i) The NDC meets only at the initiative of the planning Commission which determines its agenda.
- (ii) The Council has been approving the Approach Paper and the Draft Plans but has not been keeping track of the progress of the Plan. Consideration of other policy questions affecting national development which is one of its stated functions, has been infrequent and insufficient.
- (iii) The frequency and duration of its meetings are very inadequate. Only 39 meetings have been held since 1952; the 37th meeting was held after a gap of two years and four months whereas the Resolution constituting it specifies that the Council will meet at least twice each year.
- (iv) The Planning Commission does not always put before the Council alternative sets of perspectives, strategies and targets along with the assumptions made to enable it to decide among the choices available.
- (v) The conferencing procedure consists of set speeches made by Chief Ministers with very little of mutual discussion.
- (vi) The summing up of deliberations often does not reflect the variety of views.
- (vii) The time given to States for crystallising their views is often insufficient.
- (viii) The Standing Committees and the Special Committees are not formed or convened on a regular basis for in-depth analysis and consideration of issues.

11.7.34 As a result of the above deficiencies, formalism rather than systematic and effective participation in forging consensus and commitment to national policies is observed to have been the dominant feature of National Development Council's working. It has not been able to guide the Planning Commission in identifying the feasible alternatives so that a choice can be made from among them and has not made critical appraisal of the working of the plan and of the policies, affecting national development. This has also given rise to such complaints, as made by a Chief Minister, that Plan strategies and policies have not been put to sufficient national debate and informed consideration, and have been rather hurriedly put through.

Suggestions in the Evidence

11.7.35 In the evidence before the Commission, the need to make the NDC more effective in performing its role was emphasised. It has been suggested by many that constitutional recognition or statutory status should be conferred on this body. The different views conveyed to us in respect of the role, composition and functioning of the NDC are summarised below:

- (a) The NDC should exercise greater control over the Planning Commission. It should have a say in determining the composition of Planning Commission also.
- (b) Some have favoured representation of experts on this body whereas a view has been expressed that the experts should be on the Planning Commission and the role of the NDC should be political decision making and laying down national guidelines on planning.

- (c) Some have suggested that the NDC should express its opinion on all matters of national development and may be actively involved in evolving policies of industrial development, trade and commerce, prices, etc.
- (d) A State Government has suggested that the NDC should approve the guidelines for preparation of the Plans, the approach to the Five-Year Plan, and the quantum and allocation of Central assistance for State Plans.

11.7.36 One State has observed that in order to reactivate National Planning as a joint endeavour of the Union and the States, the NDC should be restructured so that it becomes the focal point for national debate on planning and has urged that it should be streamlined and its membership reduced. Some of the States are of the view that the present deficiencies noticed can be cured if NDC is made a statutory body.

11.7.37 Some experts have suggested that it may not be necessary to make the NDC a statutory body and that its present role can be improved through more frequent consultations and better conferencing procedures. An apprehension has also been expressed that a statutory status to NDC would create a 'parallel power centre', which would come into conflict with the authority of the Union Cabinet and promote groupism at that forum. It should, therefore, remain an advisory body.

11.7.38 A suggestion has been made that the NDC should be reconstituted under Article 263 of the Constitution and should be conferred wider powers. One State has suggested that it should meet frequently or have a Standing Committee which should meet frequently. Another State Government has gone much further and has suggested that all economic matters of common interest to the States, including proposals of Constitutional amendments and reviews of Union-State finances prepared by the Finance Commission's permanent secretariat proposed by it (*viz.*, a wing in the Planning Commission), should be brought before the NDC whose annual reports should be presented to Parliament and State legislatures.

11.7.39 A State Government has expressed the opinion that planning and coordination should be the responsibility of the Union which should be carried out in a democratic manner through an inter-State Committee, in which the States should have equal representation alongwith the Union, and whose executive organs should be the NDC and the Planning Commission.

11.7.40 A State Government has suggested that a new organisation, called the National Development Organisation (NDO), may be set up to service the NDC. The NDO may include planning and development experts supported by a complement of research and ministerial staff. It may function under the administrative control of a Committee appointed by the NDC. The NDO may be made responsible for preparing documents with respect to the national economy corresponding to the Plan prepared by the Planning Commission and the State Planning Boards. The cost of maintaining the NDO may be apportioned between the Union and the States in an agreed manner. The role of the NDO will be limited to giving its comments on the plans prepared and highlighting the departures from the guidelines. While these comments will be given due consideration by the Planning Organisations concerned, its actions on these will be entirely its own. Agreed views on the Plan document will be thrashed out to the extent feasible by the Planning Commission and the NDC and the remaining differences considered by the NDC itself.

Our Approach

11.7.41 We have carefully considered the various views and suggestions with regard to the status and role of the NDC. In the Chapter on Inter-Governmental Council, we have drawn attention to the imperative need for cooperative action between the Union and the States in the formulation of policies and their implementation. We have also pointed out that with economic growth, technological development and socio-economic changes, many new areas of national concern are emerging. The very concept of planning postulates cooperative endeavour in the service of the common man. In a large and diverse country like ours, planned development is critically dependent on consensus and commitment at all levels to the objectives and strategies of the Plans formulated and implemented from time to time. There is unanimity of views that the NDC should be made to function more effectively and emerge as the highest political level Inter-Governmental body for giving directions and thrust to planned development of the country.

11.7.42 We think that casting such an institution in the tight mould of a statute would make it operationally rigid, whereas flexibility and ability to respond quickly to changing circumstances is the

essence of the matter. But at the same time, NDC as at present constituted is unable to impart the necessary dynamism to planned development.

11.7.43 We are, therefore, of the view that being the supreme inter-governmental body for all matters related to socio-economic development, it is necessary that NDC should be renamed and reconstituted as National Economic and Development Council (NEDC) by Presidential Order under the provisions of Article 263 so as to have direct moorings in the Constitution. The provisions of the clauses (b) and (c) of Article 263 are wide enough to encompass the functions of the NDC. The NEDC thus constituted will, while retaining adequate flexibility, have a measure of authority with formalised status having the constitutional sanction of Article 263.

11.7.44 While we do not suggest any major change in its composition and broad charter of work, the suggested change in name to "National Economic and Development Council" will help make explicit what is already implicit in the present charter of the NDC that along with developmental issues it has to consider and advise on relevant economic issues also. Unfortunately, this latter role has been neglected in the past but is not sufficiently operated upon. In our opinion, in the interest of healthier Union-State relations, it is necessary that this should be made explicit and the NEDC or its Standing Committees should meet regularly to consider important economic issues of national significance in addition to the usual developmental issues.

11.7.45 The role of the NEDC will be advisory, but we hope that healthy conventions will develop to the effect that the advice given and decisions taken at this forum will be respected. Indeed, the very representation by Union Ministers and States' Chief Ministers with Prime Minister as the Chairman, on this forum, given constitutional status under Article 263, should be a sufficient guarantee for commitment to its decisions. It need not have technical experts as its members. But it may obtain technical expert advice from the Union and the State Governments and also from other sources whenever necessary. It should formulate its own procedure to enable it to discharge its responsibilities.

11.7.46 The Secretary to the Planning Commission shall act as Secretary to the National Economic and Development Council and the Planning Commission shall furnish such administrative or other assistance for the work of the Council as may be needed. We cannot support the suggestion made by a State Government, mentioned in para 11.7.40 above, that a separate organisation called the National Development Organisation, may be set up to service the NEDC. It will create avoidable problems and controversies if a separate organisation of experts is created to service the NEDC. The Planning Commission contains both the necessary expertise and the information to service the NEDC and is also functionally linked to it.

11.7.47 A major problem besetting effective functioning of the NDC has been that it is too large a body which has not been able to pay collective attention to the details of the matters. To meet this problem, it should have a Standing Committee as mentioned earlier. In fact, the Standing Committee of Chief Ministers set up in late fifties and early sixties was found to have been useful in terms of indepth consideration of issues. It is regrettable that this Committee was later discontinued.

11.7.48 We recommend that a Standing Committee of the NEDC should be constituted consisting of the Prime Minister, Finance Minister, three other Union Ministers nominated by the Prime Minister, Deputy Chairman of the Planning Commission and Governor, Reserve Bank of India and six Chief Ministers, one from each zone selected by rotation or consensus. This Standing Committee should also be constituted under Article 263 alongwith NEDC. It should devise its own procedures for effective functioning. All matters concerning the NEDC will also be considered by the Standing Committee which may decide the agenda for its meeting. The NEDC may, however, set up other Committees or Sub-Committees (like the one on financial matters recommended by us in the Chapter on Financial Relations) to advise it or the Standing Committee on special issues.

Planning Machinery at State Level

11.7.49 We have considered in the preceding paragraphs the criticism that the States are not adequately involved in the formulation of the National Plan and that there is far too rigid a control over State Plans. We have made several suggestions for improving the existing system but any long term improvement is critically dependent on the States improving their own planning capabilities. There is need for certain

amount of introspection by the States in this regard. The desirability of an expert State level planning body is obvious. Such a body should be charged with the duty of assessing the resources of the State—material, human and financial; assist and advise the State Government in the formulation of the Plan perspective, Five Year as well as Annual. It should lay down guidelines for the formulation of plans, schemes, programmes and projects and act as the coordinating agency at the State level for all planning functions. It should undertake on a systematic basis monitoring and evaluation of the progress of the plan, schemes, programmes and projects.

11.7.50 The Administrative Reforms Commission in its Report on Machinery for Planning recommended that the State Planning Boards should be entrusted with the following functions:

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

11.7.51 A State Government has observed that all aspects of planning with respect to the State Sector may be the responsibility of the State Planning Boards. In order to suitably upgrade their powers to become worthy agencies for State level planning, these may be broadly patterned after the Planning Commission. According to this State Government, among other things, the State Planning Boards may communicate directly with the National Development Council and the Planning Commission. It may be involved in determining the size and the allocation of sectoral outlays.

11.7.52 The above mentioned State Government has also enumerated the following as the main reasons for the State Planning Boards remaining operationally ineffective and the State Planning Departments continuing to function as the real coordinating agency for planning at the State level: (i) The Finance Departments monopolise all financial planning; (ii) the Planning Board is more a Committee of Ministers and Secretaries than a specialised body; (iii) other departments have a better equation with the Planning Department and prefer to deal with it; (iv) the Planning Commission also communicates with the Planning Department; (v) the administrators 'cold-shoulder' the non-official members of the Planning Boards; (vi) in the process of Plan preparation, the State Planning Board is brought into the picture late; (vii) the Board is often entrusted with some technical studies and is weaned out from actual planning work; and (viii) the generality of Ministers do not take kindly to the Planning Board as planning culture has not yet percolated adequately to the State level. The main reasons due to which State Planning Boards have not emerged as specialised agencies, according to this State Government are: (a) State Plans have tended to become mere aggregation of public sector projects/programmes, (b) the financial planning remains but an adjust of normal budget process, (c) the inter-departmental and inter-project allocation of funds corresponds to the political weight and seniority of Ministers and bureaucrats, (d) the Finance Departments generally adopt a rigid attitude in sanctioning additional funds, (e) little attention is paid to evolving realistic and internally consistent development policy framework, (f) the conceptual framework and methodology of planning leaves much to be desired, (g) the data-base for planning is poor, and (h) the technical and professional personnel in State Planning agencies are denied opportunity to contribute to the improvements in the plan implementation systems. The experiences in the individual State however, differ and in some of them considerable expertise has been built in the State Planning Boards.

11.7.53 It has been observed that although State Planning Boards have been created in all the States except Sikkim, they have not been drawn into the real planning work. The State Planning Departments continue to discharge this responsibility and only assign some technical studies, etc. to their Planning Boards. There seems to be some reluctance and also mistrust in making the Board *de facto* pivot of planning at the State level. The Planning Commission has informed us about the present deficiencies in this regard as follows:

- (a) The Planning Machinery has not been sufficiently strengthened in many States on the lines indicated by the Planning Commission. While some States have strengthened their planning machinery at the State level in a fairly substantial manner, in many other States, the State Planning Machinery does not have necessary technical expertise to provide effective support to the apex planning body.
- (b) While a number of States have appointed full-time Deputy Chairmen, in several other States, there is no full-time Deputy Chairman in charge of the State Planning Board. Moreover, the composition of the State Planning Boards also shows that there are only a few States where there are full-time members of the State Planning Boards; in most other States, the members of the State Planning Boards are only part-time.
- (c) It appears that a proper relationship between the State Planning Board and the State Planning Department has not yet been established in some States.

11.7.54 Decentralisation of planning decisions to State level obviously would require strengthening of State Planning Boards with technical competence to enable them to undertake the necessary planning responsibilities at the State level, comprising: assessment of resources, spelling out Plan priorities, allocation of resources among sectors, perspective planning, formulation and coordination of the Plan, evaluation and advise on economic policies, monitoring, evaluation and appraisal of plan programmes, etc. They should also participate in the Working Groups set up by the National Planning Commission.

11.7.55 We recommend, as has also been suggested by a State Government (reference para 11.7.51) that the State Planning Boards should perform functions for the State Governments as the Planning Commission does at the national level. The State Planning Department's role will be similar to that of the Union Ministry of Planning and limited to Legislative Assembly work and some executive functions. The Chief Minister should be Chairman of the State Planning Board as his active support and involvement will be essential for the success of the State level planning. We are confident that if an effective machinery is set up at the State level, it would enable the States to participate more meaningfully in the formulation of the National Plan and reduced the need for a detailed scrutiny by the Planning Commission, besides lending quality to the tasks of planning at the State level.

11.7.56 At present the State Planning Boards do not command due status and authority within the State Government. One way of strengthening the position of the State Planning Boards would be to prescribe that in any negotiation and discussion with the Planning Commission, the Deputy Chairman of some Member or senior officer of the State Planning Board should invariably represent the State Government, except where participation of the Chief Minister is considered necessary.

11.7.57 Appropriate procedures should be evolved to bring district planning within the schedule of the preparation of States' Five Year/Annual Plans. In order to get over the problem of uncertainty about the resources for the District Plan, the previous year's level could provide a basis on which an appropriate increase could be assumed till the position about resources becomes clear. It is of essence that a shelf of projects fitting into the long-term and medium-term development profile of the district is kept ready to be drawn upon if more resources for the plan become available. While we are not recommending this as the precise methodology, this is being mentioned to illustrate that the problem about the uncertainty of resources is not insurmountable. Consultation with District

Planning Boards should be made obligatory for formulating plans at higher levels. We have further dealt with district planning in the context of decentralisation in the next Section.

8. DECENTRALISATION IN PLANNING

11.8.01 The *raison d'être* of decentralised planning is the better perception of the needs and resources of local areas, facilitating more informed decisions to be taken. It gives local people a greater say in decision-making about their own development and welfare, resulting in better coordination and integration of the various programmes at the local level, greater mobilisation of the resources of the community and at the same time inculcates the spirit of self-reliance in the local people. Involvement at the local levels leads to fuller exploitation of the growth potential of the area, improved productivity and increased production. Assets created are also maintained more efficiently.

11.8.02 In reply to our questionnaire, several State Governments and experts, have stated that decentralised planning would help in promoting the spirit of 'cooperative federalism'.

11.8.03 The Balwantray Mehta Committee (1959) had recommended setting up of a three-tier structure of Panchayati Raj Institutions for effective decentralisation. It is now accepted that planning has suffered both for want of activation of socio-political forces and planning capabilities at the grassroot level. The Asoka Mehta Committee on Panchayati Raj Institutions (1978) has also comprehensively considered these matters. It emphasised that "the psychic dividends of the association of the rural people with the planning and development process are crux of the matter".¹⁵ Further, the ultimate objective should be to help develop the capabilities of the Panchayati Raj Institutions "to plan for themselves within given resources and those that they can raise by themselves". The National Committee on Backward Areas Development had also noted that in the wake of the large number of development programmes being implemented at the local level, there have been "too many parallel and vertical lines of control without any horizontal linkage resulting in high degree of centralisation at the head office".

11.8.04 It is, therefore, important that a system of participation by people's representatives in the process of planning and supporting administrative machinery is provided at local levels. This would also ensure accountability on the part of these institutions for the utilisation of vast development finance which is now flowing to the rural areas.

11.8.05 The progress in the sphere of decentralised planning at sub-State level, was reviewed in a study in the Planning Commission.¹⁶ According to this study only a few States have made noteworthy advance in this regard. The main weaknesses noticed in some of the experiments were reported as under:

- (i) The State-level politicians continue to exercise way in district planning bodies by becoming their Chairmen, relegating elected representatives on these bodies to the background.
- (ii) Even in a State which had taken a lead in district planning, the divisible outlay has been shrinking from 40 per cent, as originally envisaged to 26 per cent in 1981-82. Simultaneously, emergence of a new trend of State Sponsored District Level Scheme, parallel to the Centrally Sponsored Schemes, is noted.
- (iii) The local planning bodies do not have much financial autonomy as they are in the unenviable position of being the guardian of funds which are already pre-empted for various departmental programmes.
- (iv) In another State, the district planning bodies are headed by Government officials instead of peoples' representatives.
- (v) The Planning functions have been entrusted to other newly created bodies like "District Planning and Development Council" in Gujarat instead of Zila Parishad. The President of the Zila Parishad is only an ordinary member of such a body.

11.8.06 In some of the States, district level budgeting of plan outlays has been initiated as a step in this direction. According to the Report of the Working Group on District Planning,¹⁷ the decentralisation could be achieved progressively over a long period of time only. It has recommended that decentralisation would be covered in three stages. Stage-I will be the phase of 'Initiation'. At this stage, the pre-requisites for

District Planning will be introduced, as for instance, strengthening planning capabilities and building up a data base. The plan funds available for the districts would also be identified. Stage-II will be one of 'Limited Decentralisation'—when certain sectors of activity, like Agriculture and allied sectors, Minimum Needs Programmes and beneficiary oriented anti-poverty programmes will be brought under the purview of district plans and Stage-III will represent 'Final' stage, when local decision making will encompass all levels of district activity. It was envisaged by the Working Group that all districts in the country will reach stage III by 2000 A.D.

11.8.07 The Working Group on District Planning set up by the Planning Commission during the Sixth Five Year Plan, had reviewed the patterns and problems in decentralised planning. The basic conclusion that emerges on a review of the approaches is that inspite of the formal acceptance of the rationable of district planning and creation of formal institutional structures in several cases, the real decentralised planning is still a far cry. As the success of planning process depends considerably on the involvement of the people at district level, the institutions like *Zila Parishads* and elected municipal corporations do have a vital role to play. These institutions need to be significantly strengthened—both financially and functionally. It will be relevant here to take note of the Karnataka Zila Parishads, Taluk Panchayat Samities, Mandal Panchayats and Nyaya Panchayats Act, 1983.

11.8.08 Even if the planning bodies get created at the State and sub-State levels, these cannot represent the aspirations of the people so long as the elected bodies are by-passed. It is commonly known that elections to Zila Parishads and Municipalities are not regularly held. We are of the firm view that regular elections and sessions of these institutions is a must, and means for ensuring the same in all the States uniformly should be evolved by the Union Government in consultation with National Economic and Development Council. For this purpose a legislation, analogous to Articles 172 and 174 of the Constitution, should be undertaken as suggested by us at para 21.2.09 of Chapter XXI.

11.8.09 A State Government has observed : "District plans may cover, to being with, the development activities of the Panchayati Raj institutions". Further, the Panchayati Raj institutions at all levels may be enabled to have adequate own resources for their respective plans. The District Plan should be an aggregate of the plans of the Zila Parishad, Block Samities and the Panchayats. It should also include the Plans of Municipal Corporations and Committees. The State Government has also suggested that District Planning Boards and Panchayat Planning Committees may be constituted. We are in broad agreement with the above approach of the State Government. The need for District level planning is accepted by all, but its contents differ widely from State to State. Not only should elections be held periodically, these elected institutions should be given adequate responsibility in regard to development functions. Unless adequate finances are provided to these bodies, they would remain dormant. They should not only get resources from the State Government, but also be encouraged to raise their own resources. There is often considerable disparity in development of the various regions within the State. It is, therefore, necessary to evolve a mechanism like the Finance Commission at the State level to enable the State Government take an objective view of resources to be devolved or transferred to the Districts. We are of the view that the State Planning Boards can conveniently and with advantage be entrusted with this functions. This body could then be designated as the State Planning and Finance Board.

11.8.10 It would also be helpful if these Planning and Finance Boards are entrusted with the responsibility of identifying and making special provisions for very backward areas within the States. For this purpose, they should commission from time to time objective studies somewhat on the lines of the recent 'Report of the Fact Finding Committee on Regional Imbalances in Maharashtra'¹⁸ which we have found to be quite revealing and useful.

9. RECOMMENDATIONS

11.9.01 Taking an over-all view from the conceptual, insitutional and functional aspects, planning both at the formulation and execution stages has to be a cooperative process of shared action between the Union and the States.

- (a) NEDC should be involved in the formulation of the Plans right from the beginning. Selection of studies and setting up of various Working Groups should be done under the guidance of the Standing Committee of the NEDC.

- (b) The draft Approach Paper should be circulated to the States at least two months in advance of the meeting of the NEDC to consider the same. It should contain all relevant data, alternate strategies, etc.
- (c) A preparatory meeting should be held by the Planning Commission, with all Deputy Chairmen and/or Secretaries of the State Development Boards two weeks prior to the NEDC to consider the Approach Paper/Draft Five Year Plan for identifying the main issues and firming up the agenda for the meeting of the NEDC.
- (d) Deliberation in the NEDC should be so structured as to facilitate meaningful discussions on each item of the agenda. Sufficient time should be available for the same, so that, after the general statement by the Prime Minister and Chief Ministers, there is enough time for discussing individual items of the agenda. Minutes of the discussion in the NEDC should be recorded item-wise. It will help provide more time for discussion, if prepared general statements of Chief Ministers are circulated before-hand and the Chief Ministers read out only a brief summary.

(Paras 11.2.04 and 11.5.22)

11.9.02 Close and fullest involvement of the States at all stages of plan formulation is very essential for the successful implementation of the same.

- (a) On the Working Groups set up to study sectoral problems in the context of formulation of the Five Year Plan, concerning State subjects, the Deputy Chairman, Planning Commission should appoint a member of a State Planning Board as Chairman and the Secretary of the concerned Union Ministry as Vice-Chairman and an officer of the Planning Commission as Member-Secretary.
- (b) Coordinated action between the Central and State Working Groups should be ensured. For this, the Central Working Groups themselves should take the initiative in establishing contact with their counterparts in the States at an early stage.
- (c) The draft Approach paper should be circulated to the States at least two months in advance of the meeting of the NEDC to consider the same. It should contain all relevant data, alternate strategies, etc.

(Paras 11.5.10, 11.5.12 & 11.5.22)

11.9.03 For improving the procedures of State Plan, the following are essential :

- (i) In the Financial Resources Working Group, the estimation of Plan resources should be realistic. Estimates of additional resources to be mobilised by a State, as approved by the Chief Minister, should be available to the Financial Resources Working Group.
- (ii) Planning Commission should not try to scrutinise in detail all the individual sectoral schemes in the States' Plans, but concentrate on key ones involving large outlays, foreign exchange component, and inter-sectoral aspects. Most of these belong to the core-sector plan and have their outlays earmarked. Financial provision for these should be ensured.
- (iii) The practice of States submitting plan proposals aggregating to much higher plansize than that warranted by resources estimated by the Resources Working Group, should be firmly discouraged by the Planning Commission. Every effort should be made to consider all resources likely to be available at the stage of discussions in the Resources Working Group itself.
- (iv) The meeting between the Deputy Chairman, Planning Commission and State Chief Ministers should concentrate on evaluating the progress made, identification of bottlenecks, review of deviations from plan priorities and the implementation of the programme for the ensuing year. Substantial changes in the size and content of the Plan and allocation of outlays should not generally take place in this meeting.
- (v) If the Plan-size of a State is agreed to be substantially enhanced at the meeting between Deputy Chairman, Planning Commission and the State Chief Minister on the promise of 'new' resources, this should be regarded as 'provisional' and the feasibility of the same and the priority of allocation

of the additional amount should be subsequently gone into by the Adviser (State Plans) in consultation with the subject-Divisions in the Planning Commission.

(Para 11.5.37)

11.9.04 The norms and conditions for prior approval of projects/schemes by the Union Government, Planning Commission and Central Electricity Authority should be reviewed every fifth year or earlier, if need be, and got approved by the National Economic and Development Council.

(Para 11.5.43)

11.9.05 As the different components of central assistance for the State plans got incorporated at different points of time, a review is over-due. In view of acute overall constraint of resources, a system will have to be evolved which, while ensuring a measure of equity, would at the same time encourage efficiency in the mobilisation and use of resources. The NEDC is the most appropriate forum where such matters should be discussed and national consensus arrived at.

(Paras 11.6.07 and 11.6.08)

11.9.06 A time has come to review the two-fold loan grant pattern of Central assistance, 70:30 and 10:90, and replace it by a suitable three or four-fold pattern, such as 70:30, 50:50 and 20:80 or 90:10, 60:40, 40:60 and 10:90 respectively, taking into account loan servicing capacity of the States and their per capita State Domestic Product. A decision may be taken by the NEDC on this after expert examination by Planning Commission and consideration of various options.

(Para 11.6.10)

11.9.07 A segmented approach in respect of the channeling of Central assistance for externally aided projects should not be followed. However, it will be desirable that the entire rationale and procedure is explained or clarified for a better understanding to the NEDC.

(Para 11.6.13)

11.9.08 A periodic review of the system of earmarking of outlays is desirable and should be discussed and approved by the NEDC alongwith other aspects of the Central assistance mechanism before the beginning of each Five Year Plan

(Para 11.6.16)

11.9.09 The number of Centrally Sponsored Schemes should be kept to the minimum. In this regard, the criteria laid down by the Ramamurti Committee should be adhered to. The need for the Union Government initiating pilot projects even in regard to subjects in the States' sphere, having an inter-State, regional or over-all countrywide significance but carrying high national priority, is recognised. But these should be formulated in prior consultation with the States. Once a programme has passed the pilot stage and has been accepted as desirable for implementation on a larger scale, it should appropriately form part of the State Plan.

(Para 11.6.25)

11.9.10 The Central assistance towards the Centrally Sponsored Schemes should be kept to a minimum in relation to the Central assistance for the State Plans. The ratio of these recommended by the NEDC, from time to time, should be adhered to.

(Para 11.6.26)

11.9.11 The Centrally Sponsored Schemes should not be normally started during the middle of Five Year Plan, should it become necessary to initiate any Centrally Sponsored Scheme during the course of Five Year Plan, its approval by the Standing Committee of the NEDC should be obtained. The entire expenditure on such a scheme, at least till the expiry of that Five Year Plan should be borne by the Union Government.

(Para 11.6.27)

11.9.12 The State Governments should be fully involved in determining the contents and coverage of the Centrally Sponsored Schemes so that local variations and likely difficulties in their implementation are taken care of. Even after formulation of the schemes, sufficient flexibility should be allowed to the States in

adapting them to local conditions. The Centrally Sponsored Schemes should be discussed with the States, individually, along with their Five Year Plans and again during the Annual Plan discussions.

(Para 11.6.28)

11.9.13 An overall comprehensive review of Centrally Sponsored Schemes should be made periodically by the Planning Commission and it should be placed before the NEDC for consideration.

(Para 11.6.30)

11.9.14 The process of decentralisation, in respect of formulation and evaluation of Centrally Sponsored Schemes should be pursued further and differences in local conditions given proper weightage specially with reference to agriculture and poverty alleviation programmes, like IRDP, NREP and RLEGP.

(Para 11.6.31)

11.9.15 If the Planning Commission is re-constituted by the statute giving it an autonomous status, divorced from the political executive of the Union, its working will be stymied by legalism, rigidities and technicalities which are inherent in inflexible statutes. The task of Planning Commission are now overseen by the NDC. This arrangement has well answered out planning needs.The remedy, therefore, lies in reforming these institutions and their working, assuring at the same time full and effective consultation with the States at all stages of the planning process so that they feel that their role in it is not that of a supplicant, but of an equal participant.....If healthy conventions are established in regard to consultation with the Planning Commission and due weight is given to its recommendations, than all apprehensions in regard to domination by the Union and Planning Commission being a limb of the Union Government would disappear. The Planning Commission must be consulted in taking all major investment decisions.

(Paras 11.7.11, 11.7.14, 11.7.15, 11.7.16 and 11.7.17)

11.9.16 To remove any misgivings about Planning Commission's capacity to act objectively, experts with established reputation for professional integrity and calibre should be appointed to its panel for specified term.

(Para 11.7.19)

11.9.17 The Deputy Chairman should invariably be an eminent expert, who can command the respect of the Union, as well as the State Governments, by his objectivity and stature and should not be seen as a political appointee.

(Para 11.7.20)

11.9.18 After the Report of the Finance Commission, the occasion for a review of the Union; and States' finances arises in the context of resource exercise for the Annual and Five-Year Plans. It is of utmost importance than the complement of non-plan finances of the States is looked into in detail by the Resource Working Group of the Planning Commission. Detailed analysis of any aberrations and significant deviations from the norms of the Finance Commission should be made.

(Para 11.7.24)

11.9.19 Planning Commission should pay special attention to the efficacy of the monitoring systems in the Government by advising on techniques and formates. At the same time, it may continue monitoring of specific programmes and keep; itself abreast with the progress; in the core and priority sectors.

(Para 11.7.26)

11.9.20 Besides the general reviews contained in the Annual Plan and the mid-term appraisal, a comprehensive quinquennial review should be brought out by the Planning Commission, which should be taken advantage of in finalising the next Five Year Plan.

(Para 11.7.27)

11.9.21 The Advisers (State Plans) must visit the States more frequently as they have a key role in bringing about a close relationship between the States and the Planning Commission. They could be permanent invitees to the meetings of the State Planning Boards.

(Para 11.7.28)

11.9.22 In order to build expertise in the Planning Commission, the officers in senior posts should not only have the desired specialisation and competence, but should also serve in the organisation for

sufficiently long periods. Serious attention to this aspect will have to be given by the Planning Commission itself.

(Para 11.7.29)

11.9.23 As part of a Staff Exchange Programme Officers from the Planning Commission and the State Governments at middle echelons should serve at each other's place for reasonably sufficient periods and suitable incentives and facilities made available to them.

(Para 11.7.30)

11.9.24 The very concept of planning postulates cooperative endeavour in the service of the common man. In a large and diverse country like ours, planned development is critically dependent on consensus and commitment at all levels to the objectives and strategies of the Plans formulated and implemented from time to time. The NDC should be made to function more effectively and emerge as the highest political level Inter-governmental body for giving a direction and thrust to planned development of the country. Being the supreme inter-governmental body for all matters related to socio-economic development, it is necessary that NDC should be renamed and reconstituted as National Economic and Development Council (NEDC) by Presidential Order the provisions of Article on 263 so as to have moorings in the Constitution.

(Paras 11.7.41 to 11.7.43)

11.9.25 The NEDC or its Standing Committees should meet regularly to consider important economic issues of national significance in addition to the usual developmental issues.

(Para 11.7.44)

11.9.26 NEDC should formulate its own procedures to enable it to discharge its responsibilities.

(Para 11.7.45)

11.9.27 The Secretary of the Planning Commission shall act as Secretary to the National Economic and Development Council and the Planning Commission shall provide such administrative or other assistance for the work of the Council as may be needed.

(Para 11.7.46)

11.9.28 A Standing Committee of the NEDC should be constituted consisting of the Prime Minister, Finance Minister, three other Union Ministers nominated by the Prime Minister, Deputy Chairman of the Planning Commission and Governor, Reserve Bank of India and six Chief Ministers, one from each zone selected by rotation or consensus. This Standing Committee should also be constituted under Article 263 alongwith NEDC. The NEDC may, however, set up other Committees or Sub-Committees to advice it or the Standing Committee on special issues.

(Para 11.7.48)

11.9.29 The State Planning Boards should perform similar functions for the State Governments as the Planning Commission does at the national level.The Chief Minister should be Chairman of the State Planning Board as his active support and involvement will be essential for the success of the State level planning.

(Para 11.7.55)

11.9.30 In any negotiation and discussion with the Planning Commission, the Deputy Chairman or some Member or senior officer of the State Planning Board should invariably represent the State Government, except where participation of the Chief Minister is considered necessary.

(Para 11.7.56)

11.9.31 Consultation with District Planning Boards should be made obligatory for fomulating plans at higher levels.

(Para 11.7.57)

11.9.32 The institutions like Zila Parishads and elected municipal corporations need to be significantly strengthened-both financially and functionally. Regular elections and sessions of these institutions is a must, and means for ensuring the same in all the States uniformly should be evolved by the Union Government in consultation with National Economic and Development Council. For this purpose, a

legislation, analogous to Articles 172 and 174 of the Constitution, should be undertaken as suggested at para 21.2.09.

(Para 11.8.07 and 11.8.08)

11.9.33 It is necessary to evolve a mechanism like Finance Commission at the State level to enable the State Government take an objective view of resources to be devolved or transferred to the Districts. The State Planning Boards can conveniently and with advantage be entrusted with this function. This body could then be designated as State Planning and Finance Board.

(Para 11.8.09)

ANNEXURE XI-I

ILLUSTRATIVE LIST OF DEVELOPMENTAL SUBJECTS (OTHER THAN FINANCIAL SUBJECTS) INCLUDED IN UNION LIST, STATE LIST AND CONCURRENT LIST AS PER SEVENTH SCHEDULE OF THE CONSTITUTION

(A) Union List

S. No.	Entry No.	Subject
1.	6	Atomic energy and mineral resources necessary for its production.
2.	22	Railways.
3.	23	Highways declared by or under law made by Parliament to be national highways.
4.	24	Shipping and navigation on inland waterways, declared by Parliament by law to be national waterways, as regards mechanically propelled vessels the rule of the road on such waterways.
5.	25	Maritime shipping and navigation, including shipping and navigation on tidal waters provision of education and training for the mercantile marine and regulation of such education and training provided by States and other agencies.
6.	26	Lighthouses, including lightships, beacons and other provision for the safety of shipping and aircraft.
7.	27	Ports declared by or under law made by Parliament or existing law to be major ports, including their delimitation, and the constitution and powers of port authorities therein.
8.	28	Port quarantine, including hospitals connected therewith seamen's and marine hospitals.
9.	29	Airways aircraft and air navigation provision of aerodromes; regulation and organisation of air traffic and of aerodromes; provision for aeronautical education and training and regulation of such education and training provided by States and other agencies.
10.	30	Carriage of passengers and goods by railways, sea or air, or by national waterways in mechanically propelled vessels.
11.	31	Posts and telegraphs; telephones, wireless, broadcasting and other like forms of communication.
12.	41	Trade and commerce with foreign countries; import and export across customers frontiers; definition of customs frontiers.
13.	42	Inter-State trade and commerce.
14.	52	Industries, the control of which by the Union is declared by parliament by law to be expedient in the public interest.
15.	53	Regulation and development of oilfields and minerals of oil resources; petroleum and petroleum products; other liquids and substances declared by Parliament by law to be dangerously inflammable.
16.	54	Regulation of mines and mineral development to the extent which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest.
17.	56	Regulation and development of inter-State rivers and river valleys to the extent to which such regulation and development under the control of the Union is declared by Parliament by law to be expedient in the public interest.
18.	57	Fishing and fisheries beyond territorial waters.
19.	65	Union agencies and institutions for—

(a) professional, vocational or technical training including the training of police officers; or

(b) the promotion of special studies or research; or

(c) scientific or technical assistance in the investigation or detection of crime.

20. 66 Coordination and determination of standards in institutions for higher education or research and scientific and technical institutions.
21. 68 Survey of India, the geological, botanical, zoological and anthropological surveys of India, meteorological organisations.

(B) State List.

S. No.	Entry No.	Subject
1.	5	Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self-Government or village administration.
2.	6	Public and sanitation; hospitals and dispensaries.
3.	9	Relief of the disabled and unemployable.
4.	13	Communications, that is to say, roads, bridges, ferries, and other means of communication not specified in List I; municipal tramways; ropeways; inland waterways and traffic thereon subject to the provisions of List I and List III with regard to such waterways; vehicles other than mechanically propelled vehicles.
5.	14	Agriculture, including agricultural education and research, protection against pests and prevention of plant diseases.
6.	15	Preservation, protection and improvement of stock and prevention of animal diseases; veterinary training and practice.
7.	17	Water, that is to say, water irrigation and canals, drainage and embankments, water storage and water power subject to the provisions of entry 56 of List I.
8.	18	Land, that is to say, rights in or over land, land tenures including the relation of landlord and tenant, and the collection of rents; transfer and alienation of agricultural land; land improvement and agricultural loans; colonization.
9.	21	Fisheries.
10.	23	Regulation of mines and mineral development subject to the provisions of List I with respect to regulation and development under the control of the Union.
11.	24	Industries subjects to the provisions of entries 7 and 52 of List I.
12.	25	Gas and gas-works.
13.	26	Trade and commerce within the State Subjects to the provisions of entry 33 of List III.
14.	27	Production, supply and distribution of goods subject to the provision of entry 33 of List III.
15.	32	Co-operative societies.
16.	35	Works, lands and building vested in or in the possession of the State.

(C) Concurrent List

1.	17A	Forests.
2.	20	Economic and social planning.
3.	20A	Population control and family planning.
4.	23	Social security and social insurance; employment and unemployment.
5.	25	Education, including technical education, medical education and universities, subject to the provisions of entries 63, 64, 65 and 66 of List I; vocational and technical training of labour.
6.	27	Relief and rehabilitation of persons displaced from their original place of residence by reasons of the setting up of the Dominions of India and Pakistan.
7.	31	Ports other than those declared by or under law made by Parliament or existing law to be major ports.

- | | | |
|-----|----|--|
| 8. | 32 | Shipping and navigation and inland waterways as regards mechanically propelled vessels, and the rule of the road on such waterways, and the carriage of passengers and goods on inland waterways subject to the provisions of List I with regard to national waterways. |
| 9. | 33 | Trade and commerce in, and the production, supply and distribution of,—
(a) the products of any industry where the control of such industry by the Union is declared by Parliament by law to be expedient in the public interest, and imported goods of the same kind as such products;
(b) food stuffs, including edible oilseeds and oils;
(c) cattle fodder, including oilcakes and other concentrates;
(d) raw cotton, whether ginned or unginned and cotton "seeds", and
(e) raw jute. |
| 10. | 36 | Factories |
| 11. | 37 | Boilers |
| 12. | 38 | Electricity. |

ANNEXURE XI.2
TEXT OF THE RESOLUTION DATED 15TH MARCH 1950—CONSTITUTING THE PLANNING COMMISSION

New Delhi, the 15th March, 1950 No. I-P(C)/50. For some years past, the people of India have been conscious of the importance of Planned development as a means of raising the country's standard of living. This consciousness found expression in the appointment in 1938 of the National Planning Committee by the Indian National Congress. The work of the Committee was, however, interrupted by political and other developments in the beginning of the war, although much useful material has since been published. In 1944, the Government of India established a separate department of Planning and Development, as its instance, the Central as well as the Provincial Governments prepared a number of development and schemes to be undertaken after the war. Problems of planning were reviewed towards the end of 1946 by the Advisory Planning Board which was appointed by the Interim Government of India, an important recommendation of the Board being the appointment of the Planning Commission to devote continuous attention to the whole field of development so far as the Central Government was concerned with it.

2. During the last three years, the Centre as well as the Provinces have initiated schemes of development but experience has shown that progress has been hampered by the absence of adequate coordination and of sufficiently precise information about the availability of resources. With the integration of the former Indian States with the rest of the country and the emergence of new geographical and economic facts afresh assessment of conditions of progress has now become necessary. Moreover, inflationary pressures inherited from the war, balance of payments difficulties, the influx into India of several million persons displaced from their homes and occupations, deficiencies in the country's food supply aggravated by partition and a succession of indifferent harvests, and the dislocation of supplies of certain essential raw materials have placed the economy under a severe strain. The need for comprehensive planning based on a careful appraisal of resources and on an objective analysis of all the relevant economic factors has become imperative. These purposes can best be achieved through an organisation free from the burden of the day to day administration but in constant touch with the Government at the highest policy level. Accordingly, as announced by the Honourable Finance Minister in his Budget Speech on the 28th February, 1950, the Government of India have decided to set up a Planning Commission.

3. The Constitution of India has guaranteed certain Fundamental Rights to the citizens of India and enunciates certain Directive Principles of State Policy, in particular, that the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order, in which justice, social, economic and political, shall inform all the institutions of the national life, and shall direct its policy towards securing, among other things.

(a) that the citizens, men and women equally have the right to an adequate means of livelihood, (b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good and (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

4. Having regard to these rights and in furtherance of these principles as well as of the declared objective of the government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production, and offering employment opportunities to all in the service of the community.

The Planning Commission will:

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

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

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

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

(5) determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;

(6) appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal show to be necessary; and

(7) make such interim or ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it; or on a consideration of the prevailing economic programmes; or on examination of such specific problems as may be referred to it for advice by Central or State Governments.

5. The Planning Commission will be composed of the following:

Chairman	—	Shri Jawahar Lal Nehru
Deputy chairman	—	Shri Gulzarilal Nanda
Members	—	Shri V.T. Krishnamachari
	—	Shri Chintaman Deshmukh
	—	Shri G.L. Mehta

Secretary — Shri R.K. Patil
Deputy Secretary — Shri N.R. Pillai
— Shri Tarlok Singh.

6. The Planning Commission will make recommendations to the Cabinet. In framing its recommendations, the Commission will act in close understanding and consultation with the Ministries of the Central Government and Governments of the States. The responsibility for taking and implementing decisions will rest with the Central and the State Governments. The Government of India feel confident that the States will give the fullest, measure of help to the Commission, so as to ensure the maximum coordination in policy and unity in effort.

7. The work of the Planning Commission will affect decisively the future welfare of the people in every sphere of national life. Its success will depend on the extent to which it enlists the association and cooperation of the people at all levels. The Government of India, therefore, earnestly hope that in carrying out its task the Commission will receive the maximum support and goodwill from all interests and, in particular, from industry and labour.

8. The headquarters of the Commission will be at New Delhi.

ANNEXURE XI.3

COPY OF RESOLUTION RECONSTITUTING AND REDEFINING THE FUNCTIONS OF THE NATIONAL
DEVELOPMENT COUNCIL

CABINET SECRETARIAT
(Department of Cabinet Affairs)

RESOLUTION

(National Development Council)
New Delhi, the 7th October, 1967

No.65/15/CF-67. The National Development Council was set up in August 1952 to strengthen and mobilise the effort and resources of the nation in support of the Five Year Plans, to promote economic policies in all vital spheres and to ensure the balanced and rapid development of all parts of the country. The Council is presently composed of the Prime Minister of India, the Chief Ministers of all States and the Members of the Planning Commission, and it makes its recommendations to the Central and State Governments.

2. The Administrative Reforms Commission, in its recent Report on the machinery for Planning, dealt with the role and functions of the National Development Council. Government have considered the recommendations of the Commissions and have decided to reconstitute the National Development Council and redefine its functions.

3. The functions of the National Development Council will be:

- (i) To prescribe guidelines for the formulation of the National Plan, including the assessment of resources for the plan;
- (ii) to consider the National Plan as formulated by the Planning Commission;
- (iii) to consider important questions of social and economic policy affecting national development;
- (iv) to review the working of the Plan from item to time and to recommend such measures as are necessary for achieving the aims and targets set out in the National Plan, including measures to secure the active participation and co-operation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community and through sacrifice borne equally by all citizens, build up resources for national development.

4. The National Development Council will make its recommendations to the Central and State Governments and will comprise of the Prime Minister, all Union Cabinet Ministers, Chief Ministers of all States and Union Territories and the Members of the Planning Commission. Delhi Administration will be represented in the Council by the Lt. Governor and the Chief Executive Councillor, and the remaining Union Territories by their respective Administrators. Other Union Ministers and State Ministers may also be invited to participate in the deliberations of the council.

The Council may appoint, from time to time, suitable sub-committees or panels.

5. The Council shall meet as often as may be necessary and at least twice in each year.

6. The Secretary of the Planning Commission shall act as Secretary to the National Development Council and the Planning Commission shall furnish such administrative or other assistance for the work of the Council as may be needed.

Sd.
(D.S. Joshi)
Cabinet Secretary

No. 65/15/CF-67

hi, the 7th October, 1967

ORDER

Ordered that a copy of the Resolution may be communicated to the State Governments Union Territories, all Ministers and Departments of the Government of India, the Prime Minister's Secretariat, the Secretary to the President, the Secretary to the Vice-President, and Heads of all India Missions abroad, etc., etc. Ordered also that the Resolution be published in the Gazette of India for general information.

Sd.
(D.S. Joshi)
Cabinet Secretary

ANNEXURE XI. 4

ESTIMATE OF RESOURCES FOR THE ANNUAL PLANS 1984-85, 1985-86 AND SEVENTH FIVE YEAR PLAN 1985—90

		(Rs. crores)								
		1984-85			1985-86			1985—90		
States Central	State's Total own Resources	Central	Total	State's	Central	Total	State's			
		Assistance	own	Assistance		own	Assistance	Resources		
1.	Andhra Pradesh	677.16	241.15	918.31	461.57	348.43	810.00	3579.68	1620.32	5200.00
2.	Assam	—11.21	371.21	360.00	7.38	402.62	410.00	34.92	2065.08	2100.00
3.	Bihar	389.37	361.63	751.00	301.15	549.85	851.00	2810.04	2289.96	5100.00
4.	Gujarat	781.02	153.98	935.00	599.46	204.54	804.00	4948.33	1051.67	6000.00
5.	Haryana	356.00	74.00	430.00	347.70	132.30	480.00	2511.01	388.99	2900.00
6.	Himachal Pradesh	52.89	115.28	168.17	5.79	171.21	177.00	196.98	863.02	1050.00
7.	Jammu & Kashmir	—25.92	260.92	235.00	—66.72	326.72	260.00	—438.68	1838.68	1400.00
8.	Karnataka	502.05	147.95	650.00	460.35	190.65	651.00	2626.27	873.73	3500.00
9.	Kerala	243.73	111.27	355.00	70.68	384.32	355.00	963.09	1136.91	2100.00
10.	Madhya Pradesh	785.86	274.14	1060.00	830.06	339.94	1170.00	5120.94	1879.06	7000.00
11.	Maharashtra	1382.43	267.57	1650.00	1360.37	319.63	1700.00	8723.32	1776.68	10500.00
12.	Manipur	—15.88	76.88	61.00	—28.92	98.92	70.00	—115.00	545.00	430.00
13.	Meghalaya	4.92	60.08	65.00	10.63	64.37	75.00	—1.28	441.28	440.00
14.	Nagaland	—27.80	83.90	56.10	—58.31	123.31	65.00	—266.88	666.88	400.00
15.	Orissa	277.71	172.29	400.00	229.37	220.63	450.00	1556.24	1143.76	2700.00
16.	Punjab	260.51	83.81	344.32 ¹	302.86	197.14	500.00	2818.07	466.93	3285.00
17.	Rajasthan	86.26	170.00	256.26 ²	214.35	215.65	430.00	1860.23	1139.77	3000.00
18.	Sikkim	4.02	31.06	35.08	—3.88	44.88	41.00	—17.62	247.62	230.00
19.	Tamil Nadu	736.31	190.69	927.00	649.26	310.74	960.00	4312.14	1437.86	5750.00
20.	Tripura	—15.57	78.89	63.32 ³	—1.19	87.19	86.00	—101.21	541.21	440.00
21.	Uttar Pradesh	936.42	566.02	1502.45	987.62	654.38	1642.00	6839.45	3607.55	10447.00
22.	West Bengal	377.56	33.76	411.32	168.89	206.11	675.00	2911.11	1213.89	4125.00
Total		7707.85	3926.48	11654.33	7168.47	5493.53	12662.00	50861.15	27235.85	78097.00

ANNEXURE XI. 4A

STATEMENT SHOWING 1984-85 OUTLAYS STATES/UNION TERRITORIES

(Rs. crores)

States	Proposed by the State Government	Annual Plan 1984-85 Outlays Recommended by		As finally agreed
		Working Group	Adviser (SP)	
1	2	3	4	5
<i>States :</i>				
Andhra Pradesh	931.87	885.59	865.20	918.31
Assam	435.87	362.78	NR	360.00
Bihar	775.25	744.47	NR	751.00
Gujarat	986.58	1046.86	NR	935.00
Haryana	457.25	449.55	400.00	430.00
Himachal Pradesh	183.00	194.73	158.00	168.17
Jammu & Kashmir	275.41	266.08	225.96	235.00
Karnataka	684.74	637.98	NR	650.00
kerala	446.74	395.34	NR	355.00
Madhya Pradesh	1126.07	1130.74	1010.43	1060.00
Maharashtra	1635.29	1636.23	1555.52	1650.00
Manipur	118.16	75.78	55.40	61.00
Meghalaya	72.51	69.08	58.22	65.00
Nagaland	75.76	60.43	51.65	56.10
Orissa	491.36	439.03	350.00	400.00
Punjab	488.00	497.08	434.00	440.00
Rajasthan	808.97	605.65	NR	387.00
Sikkim	40.36	40.16	31.80	35.08
Tamil Nadu	952.80	919.54	845.80	927.90
Tripura	115.94	81.54	NR	68.00
Uttar Pradesh	1665.00	1674.81	NR	1502.45
West Bengal	800.00	747.55	NR	411.32
Total States	13566.83	12961.00	..	11865.43
<i>Union Territories :</i>				
A & N Islands	37.88	28.90	28.90	28.90
Arunachal Pradesh	98.07	69.23	56.79	63.00
Chandigarh	34.22	31.41	31.41	31.41
Dadar & Nagar Haveli	9.94	7.60	7.60	7.60
Delhi	342.58	297.52	275.00	290.00
Goa, Daman & Diu	88.00	63.25	53.18	60.00
Lakshadweep	12.05	6.66	6.66	6.66
Mizoram	59.66	45.52	36.29	40.00
Pondicherry	31.49	26.13	26.13	30.00
Total UTs	713.89	576.22	..	557.57
Total States/UTs	14280.72	13537.22	..	12423.57

ANNEXURE XI. 4B

SEVENTH PLAN (1985—90) OUTLAYS STATES/UNION TERRITORIES

(Rs. crores)

Seventh Plan (1985—90) Outlays Recommended by				
States	Proposed by the States	Working Group	Adviser (SP)	As finally agreed
1	2	3	4	5
<i>States :</i>				
Andhra Pradesh	7500.00	6596.13	*	5200.00
Assam	3550.00	2464.60	*	2100.00
Bihar	7002.00	5493.54	3250.00	5100.00
Gujarat	8982.88	8939.43	4500.00	6000.00
Haryana	3200.00	3057.75	2570.00	2900.00
Himachal Pradesh	1339.00	1248.30	920.00	1050.00
Jammu & Kashmir	2206.00	1842.28	1200.00	1400.00
Karnataka	5500.00	4620.74	*	3500.00
Kerala	3300.00	2831.32	*	2100.00
Madhya Pradesh	7013.98	8778.36	*	7000.00
Maharashtra	15200.00	13696.07	9000.00	10500.00
Manipur	1093.39	506.04	*	430.00
Meghalaya	680.55	564.13	*	440.00
Nagaland	892.99	540.93	*	400.00
Orissa	5088.71	3444.08	1900.00	2700.00
Punjab	4500.00	4423.19	2200.00	3285.00
Rajasthan	6549.40	4970.38	*	3000.00
Sikkim	302.50	289.04	200.00	230.00
Tamil Nadu	7000.00	5854.40	*	5750.00
Tripura	1235.54	590.76	*	440.00
Uttar Pradesh	16842.60	15265.82	*	10447.00
West Bengal	6646.50	5982.51	4000.00	4125.00
Total States	115626.04	101999.80		78097.00
<i>Union Territories :</i>				
A & N Islands	527.58	305.09	273.55	285.00
Arunachal Pradesh	931.04	532.96	370.00	400.00
Chandigarh	281.32	187.27	203.09	203.09
Dadar & Nagar Haveli	99.11	46.58	46.29	46.29
Delhi	2463.14	1903.90	*	2000.00
Goa, Daman & Diu	410.00	368.57	347.32	360.00
Lakshadweep	95.41	52.45	43.90	43.90
Mizoram	886.13	465.69	240.00	260.00
Pondicherry	285.53	181.89	141.77	170.00
Total (UTs)	6029.31	4044.40		3768.28
Total (States and UTs)	121655.31	106044.20		81865.28

ANNEXURE XI. 4C

ANNUAL PLAN 1985-86 OUTLAYS STATES/UTs

(Rs. crores)

Annual Plan (1985-86) Outlays Recommended by				
States	Proposed by State Governments	Working Group	Adviser (SP)	As finally agreed
1	2	3	4	5
<i>States :</i>				
Andhra Pradesh	1176.30	1099.03	*	810.00
Assam	550.00	432.22	*	410.00
Bihar	1200.01	1067.05	547.00	851.00
Gujarat	1191.32	1369.56	600.00	804.00
Haryana	482.46	550.67	410.00	430.00
Himachal Pradesh	200.00	202.76	168.00	177.00
Jammu & Kashmir	366.53	334.91	235.00	260.00
Karnataka	850.00	832.32	*	651.00
Kerala	549.00	513.51	*	355.00
Madhya Pradesh	1062.60	1414.53	*	1170.00
Maharashtra	2126.81	2063.54	1500.00	1170.00
Manipur	193.48	95.96	*	70.00
Meghalaya	135.81	107.78	*	75.00
Nagaland	181.41	104.76	*	65.00
Orissa	650.62	537.14	380.00	450.00
Punjab	600.00	735.44	440.00	500.00
Rajasthan	840.68	743.72	*	430.00
Sikkim	50.11	45.37	36.00	41.00
Tamil Nadu	1002.61	980.38	*	960.00
Tripura	202.86	104.79	*	86.00
Uttar Pradesh	2633.42	2456.58	*	1642.00
West Bengal	1149.20	977.77	650.00	675.00
Total States	17395.23	16819.79	12662.00	
<i>Union Territories :</i>				
A & N Islands	30.66	39.13	33.50	33.50
Arunachal Pradesh	157.65	100.11	73.00	73.00
Dadar & Nagar Haveli	22.75	10.31	8.65	8.65
Delhi	493.52	342.15	*	335.00
Goa, Daman & Diu	79.74	74.39	72.10	64.00
Lakshadweep	14.23	9.11	7.65	7.65
Mizoram	149.10	85.26	48.00	48.00
Pondicherry	60.73	36.07	27.00	33.00
Total (UTs)	1115.70	736.35	641.56	
Total (States and UTs)	13510.93	17556.14	13303.56	

ANNEXURE XI.5

MAJOR/MEDIUM IRRIGATION PROJECTS CONTINUING FROM PREVIOUS PLANS AND PRIOR TO 1974, ALONG WITH ORIGINAL COST, COST REVISED IN 1983 AND AS ESTIMATED IN 1985

(Rs. crores)

Sl. No.	Name of the Project	Estimated cost Projects		
		Original	Revised Cost in 1983	Latest Revised in 1985
1	2	3	4	5
1.	Andhra Pradesh:			
	<i>Category A.</i>			
	(1) Godavari : Barrage	26.59	66.00	86.01
	(2) Vamsadhra State I	8.78	37.57	51.15
	(3) Somasila Phase I	17.20	59.86	147.00
	(4) Tungabhadra HLC State II	11.95	48.00	111.70
	<i>Category B:</i>			
	(1) Nagarjunsagar	91.12	537.00	849.63
	(2) Sriram Sagar	40.10	368.00	651.00
2.	Bihar:			
	<i>Category A</i>			
	(1) Western Kosi Canal	13.49	161.80	282.21
	<i>Category B.</i>			
	(1) Bagmati	5.78	75.51	197.83
3.	Gujarat:			
	<i>Category A</i>			
	(1) Panam	10.67*	41.36	56.54
	(2) Damanganga	24.40@	108.84	132.26
	(3) Mahi Bajaj Sagar	24.61	41.22	46.70
4.	Haryana:			
	<i>Category A</i>			
	(1) Western Jammu Canal (Remodelling)	5.57	12.49	12.49
	(2) Gurgoan Canal	5.27	15.00	16.83
	(3) Loharu Lift (Stage I only)	4.13	30.00	34.62
5.	Jammu & Kashmir:			
	<i>Category A</i>			
	(1) Ravi Canal	29.84	52.70	71.66
6.	Karnataka:			
	<i>Category A</i>			
	(1) Tungabhadra Right Bank & Left Bank Canals (First Plan)	23.00	60.00	97.23
	(2) Tungabhadra High Level Canal	2.61	10.80	15.00
	<i>Category B.</i>			
	(1) Upper Krishna (Stage I only)	58.20	400.00	1039.71
	(2) Malaprabha	19.91	192.00	259.64
7.	Kerala:			
	<i>Category A</i>			
	(1) Perlyar Valley	3.48	39.71	57.49
	(2) Pamba	3.83	43.00	52.00
	(3) Kuttiaid	4.96	39.70	50.00
	(4) Chittarpuzha	0.99	12.80	17.85
	(5) Kanhira Puzha	3.65	32.00	44.56
	(6) Pazhassi	4.42	42.00	49.12
	(7) Kallada	13.28	176.00	220.00
8.	Madhya Pradesh:			
	<i>Category A</i>			
	(1) Sindh Phase I	4.95	16.00	22.71
	(2) Pairs	4.97	13.66	19.66
	(3) Jonk	4.14	8.30	14.89
	(4) Rangwan H.L.C.	1.86	4.40	6.93
9.	Maharashtra:			
	<i>Category A.</i>			
	(1) Krishna	27.66	114.96	155.00
	(2) Pench Irrigation	40.69	89.62	143.20
	(3) Upper Tapi Stage I (Pati)	13.11	73.63	102.13

<i>Category B.</i>			
(i) Warna	31.09	201.84	316.31
(ii) Kukadi	17.90	240.60	269.00
(iii) Bhima	42.58	184.52	305.12
(iv) Khadakwasla	11.61	111.20	175.31
10. Manipur:			
<i>Category A</i>			
(1) Loktak Life Irrigation	4.62	16.86	23.53
11. Orissa:			
<i>Category A</i>			
(1) Rangalidam	10.66	24.73	31.92
12. Punjab:			
<i>Category A</i>			
(1) Exten. of non-perennial Irrigation in UBDC Tract	N.A.	N.A.	9.52
(2) Utilisation of Surplus Ravi Beas Waters	N.A.	N.A.	18.38
13. Rajasthan:			
<i>Category A</i>			
(1) Rajasthan Canal Stage I	66.47	228.20	228.29£
(2) Jakkam	2.33	31.84	31.84£
(3) Mahi Bajaj Sagar (Unit I)	13.70	31.78	31.78£
(4) Gurgaon Cannal	2.38	9.48	9.48£
<i>Category B.</i>			
(1) Rajasthan Canal Stage II	89.12£	286.00	286.00£
14. Uttar Pradesh:			
<i>Category A</i>			
(1) Sarda Sahayak	64.84	378.00	610.00
(2) Gandak Canal	15.47	85.58	35.33
(3) Kosi Irrigation	2.93	12.64	19.10
(4) Increasing Capacity of Narainpur Pump Canal	9.96	15.00	28.10
(5) Sone Pump Canal	5.64	13.00	31.00
<i>Category B.</i>			
(1) Tehri Dam	40.00	N.A.	250.80
15. West Bengal:			
<i>Category A</i>			
(1) Mayurakshi	7.23	20.46	150.00
(2) Kangsabati	25.26	84.00	100.00
<i>Union Territories:</i>			
1. Goa, Daman & Diu:			
<i>Category A</i>			
(1) Salauli	N.A.	N.A.	42.64
(2) Damanganga	N.A.	N.A.	7.16
2. Dadar and Nagar Heveli:			
<i>Category A</i>			
(1) Daman ganga	N.A.	N.A.	126.50

ANNEXURE XI.6

PERCENTAGE DISTRIBUTION OF SIXTH AND SEVENTH FIVE YEAR PLAN OUTLAYS AMONG CENTRE,
STATE AND UNION TERRITORIES BY HEADS OF DEVELOPMENT

Head of Development	List/Entry in the Seventh	Percentage of Centre, States' and U.T.'s Share in						
		Schedule to which is corresponds	Sixth Five Year Plan			Seventh Five Year Plan		
			Centre	State	U.T.	Centre	State	U.T.
1	2	3	4	5	6	7	8	
I. Agriculture		43.0	54.8	2.2	38.4	59.1	2.5	
i. Agricultural Research & Education	SL(14)	63.2	36.8	..	60.3	39.3	0.4	
ii. Crop Husbandry	SL(14)	23.7	73.5	2.8	39.4	58.8	1.8	
iii. Soil and Water Conservation	SL(17)*	20.8	74.5	4.7	14.9	80.7	4.4	
iv. Animal Husbandry and Dairying	SL(15)	46.2	50.8	3.0	38.1	57.8	4.1	
v. Fisheries	SL(21)	46.8	49.8	3.4	34.1	61.2	4.7	
vi. Forestry and Wild Life	CL (17 a&b)	15.2	80.8	4.0	24.0	72.1	3.9	
vii. Land Reforms	SL(18)	9.9	89.5	0.6	9.3	89.4	1.3	
viii. Management of Natural Disasters	UL(97)	100.0	..	100.0	47.4	52.6	..	
ix. Agricultural Marketing and Rural Godowns	CL(28) & CL(33b)	48.5	50.5	1.0	40.2	57.8	2.0	
x. Food, Storage and Warehousing, Food Processing	CL(33b)	87.1	11.4	1.5	89.6	10.1	0.3	
xi. Investment in Agricultural Financial Institutions	UL(45)	80.9	19.1	..	55.2	44.8	0.3	
xii. Plantations	SL(14) & CL(17a)	..	..	..	100.0	..	..
II. Rural Development		43.1	56.3	0.6	54.0	45.7	0.3	
i. Integrated Rural Development and related Programmes	SL(5) (6)(14) (15)(18), etc.	28.6	..	..	53.7	46.3	..
ii. National Rural Employment Programme	CL(23)	28.1	43.3	..	50.3	49.7	..	
iii. Community Development and Panchayat Institutions	SL(5)	2.0	95.2	2.8	..	95.2	4.8	
iv. Cooperation	SL(32)	36.1	61.8	2.0	35.7	62.1	2.2	
v. Special Employment	CL(23)	..	100.0	..	..	100.0	..
vi. Rural Landless Employment Guarantee Scheme	CL(23)	..	..	..	100.0	..	..
vii. Integrated Rural Energy Programmes	CL(38)	..	..	..	12.4	77.8	9.8
III. Special Area Programmes		..	100.0	..	..	100.0	..
i. Hill Areas	CL(20)	..	100.0	..	..	100.0	..
ii. Tribal Areas		..	100.0	..	..	100.0	..
iii. North Eastern Council		..	100.0	..	..	100.0	..
iv. Development of Backward Areas		..	100.0	..	..	100.0	..
v. Border Area Development Programme	CL(20)	..	..	..	..	100.0	..
vi. Western Ghat Development Programme		..	..	..	..	100.0	..
vii. Other Area	CL(20)	..	..	..	..	100.0	..
IV. Irrigation and Flood Control		5.2	92.8	2.8	4.9	93.9	1.2	
i. Major and Medium Irrigation	SL(17)*	1.1	98.3	0.6	0.4	99.1	0.5	
ii. Major Irrigation	SL(17)	3.9	94.5	1.6	4.8	93.3	1.9	
iii. Command Area Development	SL(17)*	35.0	64.9	0.1	29.9	69.6	0.5	

iv Flood Control including Anti-sea Erosion SL(17) 16.1 79.2 4.1 15.8 76.7
7.5

List/Entry in Head of Development	Percentage of Centre, States' and U.T.'s Shares in the Seventh						
	Schedule to which is cor- responds	Sixth Five Year Plan			Seventh Five Year Plan		
		Centre	State	U.T.	Centre	State	U.T.
1	2	3	4	5	6	7	8
V. Energy		45.2	53.9	0.9	57.5	41.6	0.9
i. Power	CL(38)	24.5	74.2	1.3	32.2	66.2	1.6
ii. New and Renewable Sources of Energy	CL(38)	100.0	..	..	79.4	19.1	1.5
iii. Petroleum	UL(53)	100.0	..	..	100.0	..	..
iv. Coal	SL(23) & UL(54)	100.0	..	..	100.0	..	..
VI. Industry and Minerals		85.0	14.6	0.4	82.6	16.9	0.5
i. Village and Small Scale	SL(24)*	51.9	45.8	2.3	46.7	50.1	3.2
ii. Large and Medium Industry	SL(24)*	89.5	10.4	0.1	87.6	12.2	0.2
VII. Transport		67.8	29.9	2.3	71.7	25.1	3.2
i. Railways	UL(22)	160.0	..	..	100.0	..	..
ii. Roads	SL(13)* & UL(23)	24.1	69.8	6.1	19.6	70.5	9.9
iii. Road Transport	SL(13)	5.9	93.0	1.1	10.2	87.7	2.1
iv. Ports	UL(27) & CL(31)	40.6	4.5	3.2	90.0	7.7	2.3
v. Light Houses	CL(26)	0.8					
vi. Shipping	UL(25) & CL(32)	50.9	..	..	83.9	0.8	15.3
vii. Inland Water Transport	SL(13) & CL(32)	62.8	34.0	3.2	58.7	29.8	1
viii. Civil Aviation	UL(29)	98.9	0.7	0.4	96.3	3.3	0.4
ix. Meteorology	UL(68)	..	..	..	N.A.	N.A.	N.A.
x. Tourism	UL(97)	38.4	54.7	6.9	42.5	50.4	7.1
xi. Farakka Barrage	UL(24)	100.0	..	..	100.0	..	..
xii. INSAT—Space Segment	UL(31)	100.0	..	..	N.A.	N.A.	N.A.
VIII. Communications and Information & Broadcasting		99.0	0.9	0.1	98.4	1.5	0.1
i. Posts	UL(31)	..	..	..	100.0	..	..
ii. Communication	UL(31)	100.0	..	..	99.8	0.2	..
iii. INSAT-Space Segment	UL(31)	100.0	..	..	100.0	..	..
iv. Broadcasting	UL(31)	100.0	..	..	100.0	..	..
v. Doordarshan	UL(31)	..	..	..	100.0	..	..
vi. Information and Publicity	UL(31)	48.4	45.9	5.7	23.5	71.5	5.5
vii. Films	UL(31)	..	..	..	100.0	..	..
IX. Science and Technology		98.0	2.0	..	93.4	6.4	0.2

v. National tax Houses	CL(39)	100.0	..	..	..	..	..
vi. Ocean Development	UL(27)	..	..	..	100.0	..	..
vii. Forensic Science Labs. and Police Wireless	UL(65)	..	..	..	100.0	..	..
viii. Scientific and Industrial Research	UL(66)	..	..	..	100.0	..	..
X. Social Services		31.7	62.9	5.4	35.3	58.5	6.2
i. Education Culture & Sports	CL(25)						
(a) General Education	CL(25)	23.9	69.0	7.1			
(b) Art & Culture	CL(25)	60.8	37.9	1.3	27.4	54.7	7.9
(c) Technical Education	CL(25)	60.5	35.7	3.8			
ii. Health including Medical	SL(6)	33.0	59.9	7.1	26.5	66.0	7.5
iii. Family Planning	CL(20(A))	100.0	..	..	100.0	..	..
iv. Housing	SL(35)	20.1	71.5	8.4			
v. Urban Development	SL(35)	11.0	78.3	10.7	10.8	77.0	12.2
vi. Water Supply and Sanitation	SL(6)	15.7	79.6	4.7	19.0	74.3	6.7
vii. Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	CL(20)	25.0	73.8	1.2	18.5	8.2	1.3
viii. Special Central Assistance for Scheduled Castes Component Plans	CL(20)	100.0	..	..	100.0	..	..
ix. Social and Women's Welfare	CL(20)	55.1	40.4	4.5	79.0	19.0	2.0
x. Nutrition	CL(20)	6.3	90.1	3.6	0.4	97.3	2.3
xi. Labour and Labour Welfare	CL(23)	39.3	56.1	4.6	28.6	65.8	5.6
XI. Others		32.6	65.2	2.2	12.8	84.7	2.5
i. Statistics	CL(20)	72.2	25.7	2.1	43.8	51.9	4.3
ii. Rehabilitation of Displaced Persons	CL(27)	100.0	..	..	99.9	..	0.1
iii. Planning Machinery	CL(20)	100.0	..	..	10.8	85.5	3.7
iv. Stationery and Printing	CL(39)	30.3	65.9	3.8	9.7	80.7	9.6
v. District Planning	CL(20)	..	..	..	..	99.2	0.8
vi. Public Distribution System		..	..	..	5.4	88.6	6.0
vii. Official Language—Hindi	CL(25)	..	..	..	100.0	..	..
viii. Public Works	SL(35)	..	97.5	2.5	..	96.7	3.3
ix. Training for Development	CL(25)	100.0	..	..	29.3	53.5	17.3
x. Other classified Services	UL(97)	1.3	95.3	3.2	..	89.3	10.7
xi. Unallocated		..	..	..	12.0	88.0	..
Grand Total		48.5	49.8	1.7	53.1	44.8	2.1

* Subject to provision of some Entry in the Union List.

** Included under Crop Husbandry

Source : Government of India, Planning Commission—Seventh Five year Plan. 1985-90.

Notes : (i) UL : Union List

(ii) SL : State List

(iii) CL : Concurrent List.

(iii) Numbers in the brackets refer to the Entry in the relevant List.

