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Needed, a Growth Commission

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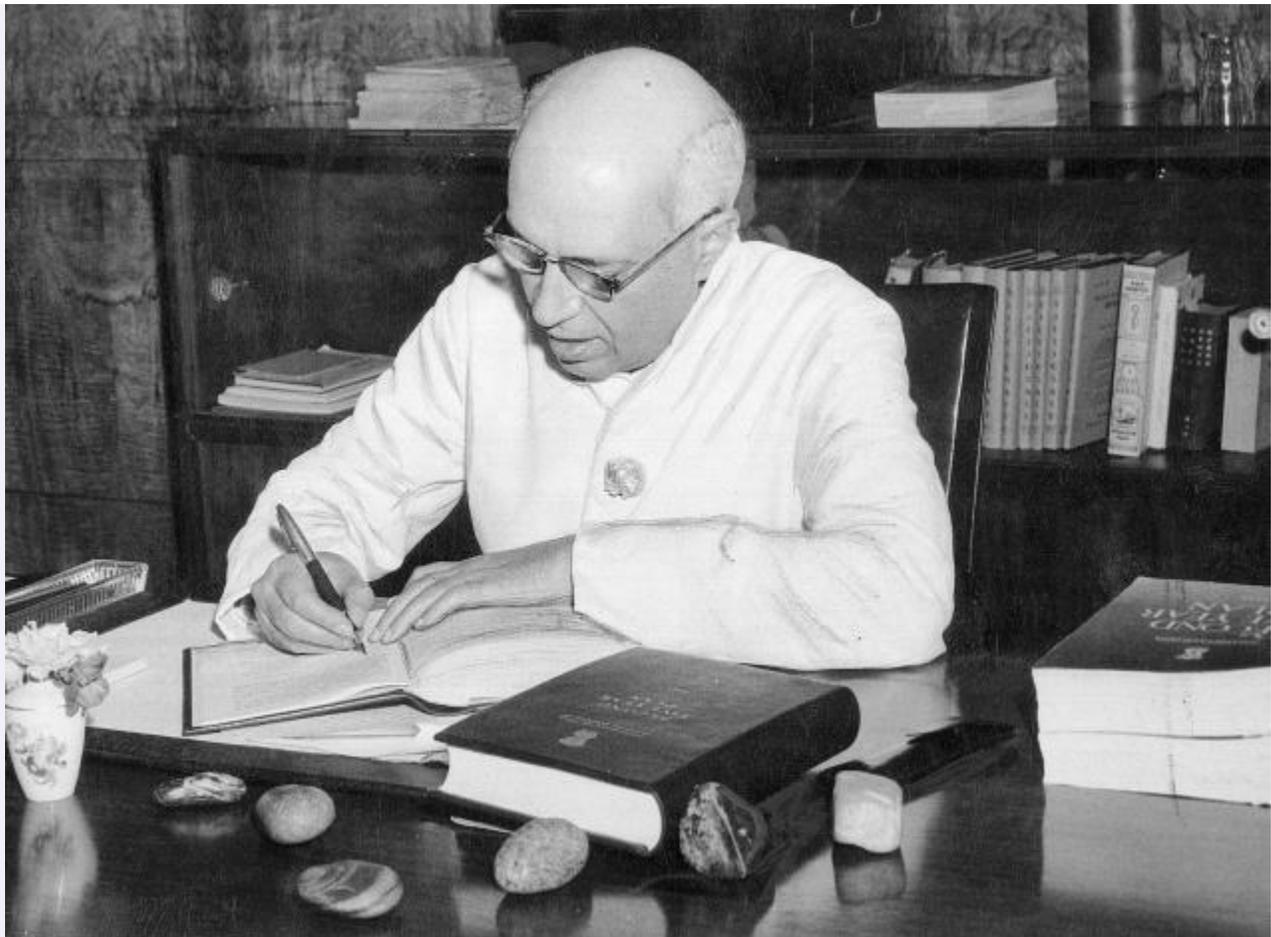
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[The Hindu Archives](#) CHANGING TIMES: The concept of planning has changed: while in the 1950s, it was the most appropriate tool for ushering in faster economic growth, we've now moved to an era of indicative planning. Picture shows Jawaharlal Nehru signing the Second Five Year Plan which particularly discussed economic growth at great length.

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An organisation to look at the basic issues confronting the economy, and to prepare a broad framework on how long-term issues can be resolved, is still a necessity

There is a need to evaluate and restructure every organisation as circumstances change and the Planning Commission is no exception. Restructuring an organisation can be of two types. One approach takes the functions of the organisation as a given and proceeds to restructure it to make it more effective to fulfil those functions. The second approach is more fundamental. It questions the very basis of the organisation and focusses on the relevance of the basic functions it has been performing. It is the second type of restructuring that we are talking about in relation to the Planning Commission.

Relevance now

The Planning Commission has a distinguished past. Many eminent men and women have adorned the position of Deputy Chairman and Member. The question that is posed now is about its relevance in the current circumstances. The Planning Commission now performs three types of functions. First and foremost, it draws a blueprint for the country's economic development over a five-year period. It also outlines a detailed strategy for achieving the goals and objectives enshrined in the blueprint which we call the Plan. The plan exercise outlines not only how the broad macroeconomic parameters are expected to move, but also a sector wise analysis of what needs to be done. After approval of the Five Year Plan, the Planning Commission in consultation with the Finance Ministry also determines the annual plan. The determination of the "size" of the annual plan of each State is a major exercise and has been a cause of much irritation.

“Through a broad range of discussions, the commission should prepare a road map which will be acceptable to both the Centre and the States””

Second, flowing from its function of determining the size of plans for States, the Planning Commission allocates funds to States, the distribution of which has again been a contentious issue.

Third, the Planning Commission has a key role in the formulation of various policies and programmes. It critically assesses the individual programmes of Ministries. Major projects are also assessed and approved by it. It is this function which resulted in a parallel unit corresponding to every Ministry being established in the Planning Commission. It would be useful to analyse which of these functions remain relevant and which of them can be discarded or transferred to other authorities within the government.

Ushering in faster growth

Planning was perceived in the 1950s as the most appropriate tool for ushering in faster economic growth. The strategy for achieving this was discussed at great length, particularly at the time of the

formulation of the Second Five Year Plan. This was consistent with the thinking at that time that the state must have control over the “commanding heights.”

Times have changed. In the post-liberalisation period, the concept of planning itself has undergone a change. We have moved, at best, to an era of indicative planning. The blend of public and private investment has tilted in favour of the private sector. While planning of the type we had in the first five decades after Independence has no relevance, an organisation to look at the basic issues confronting the economy, and preparing a broad framework on how long-term issues can be resolved, is still a necessity. If there is an acceptable framework on what the critical issues are and how they should be tackled, it will provide a suitable basis for policy formulation.

While the state may play a diminishing role, it still plays a critical role in the economy. In the infrastructure sector, it still has a dominant role. If the Centre and States agree on a broad framework through discussions, it would facilitate the adoption of better policies. Such an organisation will be something more than a think tank. Through a broad range of discussions, it should prepare a road map which will be acceptable to both the Centre and the States. Thus, the task of preparing a blueprint for the country over a certain period is essential and should continue to be performed. Also, there are issues which cut across Ministries, such as energy, transport, water or environment. In terms of policy formulation, this commission can take a holistic view and offer advice.

The second function of allocating resources among States is somewhat debatable. There is a strong view that the Finance Commission is the appropriate constitutional authority for allocating resources. Of course, the Planning Commission has also been following a formula for allotting funds among States but the quantum of transfer of funds through this mechanism has been diminishing. Much larger funds from the Centre flowed through the centrally sponsored schemes and this was performance-based. Given the States’ aversion, it may be best that this function is fully entrusted to the Finance Commission.

The third function of evaluating projects and giving approval has also raised many controversies. The Ministries regard the implementation of projects as their prime responsibility and very often consider the Planning Commission as a hindrance.

While having a ‘second look’ is always an advantage, leaving this task entirely to the Ministry seems appropriate. The Planning Commission has been looking at restructuring itself. In fact, the Committee on Public Expenditure Management, of which I was the Chairman, had made the point that the distinction between plan expenditure and non-plan expenditure should go, and the Planning Commission should take a comprehensive look at public expenditure in the key sectors. The result of making a distinction between plan and non-plan expenditures has been that we have had situations of hospitals without doctors and schools without teachers because one is treated as plan and the other as non-plan. In fact, within the present structure of the Planning Commission, the federal element could have been enhanced, if, besides Central Ministers, some Chief Ministers were also included as members. This would have given it a national character.

The current practice of “approval” by the National Development Council has also not been satisfactory. Even when some Chief Ministers differed on the strategy, very few changes were made. At the end of a long day of discussions, the plan is taken as approved.

A task that must continue

As we move ahead, there are critical problems facing the economy. Ensuring a faster rate of economic growth with equity is not an easy task. Environmental considerations have emerged as a serious concern. Therefore, an integrated look at the problems faced by the country over a five-year period is very much required. Thus, the need for an organisation for formulating ideas on how to shape the economy over a certain time frame will be helpful. This was the task which the Planning Commission was performing with some success and this must continue.

If the word “planning” is reminiscent of an earlier period, it may be substituted by “development” or “growth.” The other two functions performed by the Planning Commission now can be delegated to other authorities in the government. The allocation function can go to the Finance Commission and project evaluation can be taken care of by strengthening the Ministries. Thus, a National Development Commission or Growth Commission, which is charged with a mandate to prepare a blueprint with goals and objectives to be achieved over a defined period, may still be the need of the hour. This document can then be discussed by the National Development Council, a political body.

(C. Rangarajan is former Chairman of the Economic Advisory Council to the Prime Minister.)