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Curtains down for planning commission but challenges remain

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It is important that the reasons for the commission's demise be examined, if only to avoid them in the case of the new institution.

MANOJ KUMAR | JANUARY 5, 2015

A few months ago, prime minister Narendra Modi declared in his Independence Day speech the new government's intentions to replace the existing commission with one more in sync with the socio-economic realities of the country. This declaration only served to formalise what a chain of events had been working up to: earlier this year, for the first time since it was set up in 1950, the commission did not decide on the gross budgetary support for the Railways, with the ministry of finance taking up that responsibility instead; the removal of financial powers from the Yojana Bhawan's ambit represented the biggest change in the Indian fiscal space in decades. Reports then stated that an alternative to the Plan panel [that formulates the five-year plans, the prime tool of the central government's resource dispersion] would be announced, the likely outcome of the PM's frequent meetings with chief ministers in the last few months to establish a consensus on the subject.

The result of these proceeding has now been announced in the form the new fangled **NITI [National Institution for Transforming India] Aayog**, a multi-tiered structure including a governing council that will be headed by the PM, and comprise of the chief ministers of all states and lieutenant governors of union territories, respectively.

Time therefore has finally come to an end for the planning commission, the viability of which has been held in question by its stakeholders for quite a while now.

The history of the planning commission suggests that its administration was continually riddled with political interference, and in that sense, it was always an extension of the serving government's attitude towards the economy. Seen this way it cannot be blamed for the ills perpetrated by bad planning alone; for years, the powers that be chose to exercise it as a mere figurehead, using it to propagate their personal visions of an ideal for the country and its socio-economic status. This is not in itself a bad thing, but has been twisted an unfair criticism of the PC, citing its failure to fulfill its role. Therefore, plans for the Niti Aayog and its working should be gauged very carefully – what is to ensure the new institution will be spared the fate of its beleaguered predecessor?

These events indicate a significant change in fortunes for planning commission as it was originally envisaged; in its initial years, the commission played a crucial role in defining the contours the country's economy would take. This was a time when public investment was an overwhelmingly large part of overall investment in the economy, and centralized planning the only practical way to ensure its smooth functioning.

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With the increasing reliance on market economy in a globalised world, and the growth of the domestic private sector, the commission no longer remained the indispensable apparatus it once was; paradigm shifts in the economy and consequently, in politics, made a central body that sought to control the country's progress through the allocation of funds and resources to the extent the commission did, a bit of an anachronism.

While it is true that even in the new economic environment, economic planning of the kind that was the commission's mandate continues to be an important and determining strategy for public investment, an almost systemic overhaul needed to be realized in order to ensure the commission remained a complimentary force in ensuring rapid economic development of the nation. Whether internal reforms would have sufficed though, is now moot with the creation of the Niti Aayog. Even so, it is important that the reasons for the commission's demise be examined, if only to avoid them in the case of the **new institution**.

Critics allege that the commission had strayed away from its original mandate to facilitate inter-state planning related transactions, becoming so far removed from this purpose that it lost touch with the very stakeholders it sought to serve, rendering their participation in the planning process almost perfunctory. Such an authoritarian attitude, they have said, was not conducive to the functioning of an institution that was put in place to be the bedrock of development in the country.

There have also been discussions that the commission had denigrated into a tool for political machinations, with discretionary and disproportionate allotment of central resources to states aligned with the union government the most obvious evidence of this trend. The chief ministers of many states have stated to this end on several occasions that they often got a raw deal because of their small populations and the inability to raise resources. This has emerged as a major reason for so many states backing the transition from the commission to the Niti Aayog - with the interim budget already having transferred most centrally sponsored schemes to state governments, the commission in any case, had little substantive role left to play in the allocation of funds.

India is placed uniquely in that its planning and development needs are neither the same as those of developing economies, nor same as those of the developed economies; instead, it has its own challenges faced by an economy in transition.

The question arose then: given the reduced role of the planning process in the economy, did we really need a mechanism of the planning commission's size, scope and ambit?

This factor was one that could be adjusted easily, resulting not only in saving the exchequer precious resources that could be better deployed, but also something that would also be in consonance with the PM's maxim of "minimum government, maximum governance".

To this end, the government, taking into account the input of the states as well as the suggestions of bodies such as the Rangarajan Committee [that recommended that the planning commission perform a strategic role in development, leaving budget management to the finance ministry, and limiting its role to advisory function] and the second administrative reforms commission, has put into place the Niti Aayog.

The revamped institution will serve as a think tank with the mandate to provide strategic and technical advice on issues of "national and international importance" to the centre and states.

What must be kept in mind now is that the structure of government as it is, is vulnerable to mismanagement without an overarching body performing the functions the commission did; nodal agencies and ministries cannot be expected to remain objective about adjusting resources without an overhead monitor, which situation could lead to difficulties in balancing priority social issues like health care, water, and education.

Challenges of i. acceptability, ii. effectiveness and iii. success in the planning to meet sustainable and inclusive development goals, particularly in the diverse economic and social regional considerations, however remain for the new NITI AAYOG as well.

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