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# Planning omission: The hydra-headed monster of Yojana Bhavan

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## Synopsis

With no Planning Commission hovering over the FM, does the institution really need to exist?



**Chaitanya Kalbag**

When a little girl named Topsy is asked in Uncle Tom's Cabin if she knew who made her, she says "I expect I grow'd." This Thursday, July 10, Arun Jaitley will declare financial independence when he unveils the Union Budget for 2014/15 without the [Planning Commission](#) breathing down his neck. True, the budget drafters in the Prime Minister's Office and the Finance Ministry are working with Planning Commission Secretary Sindhushree Khullar. But it is increasingly clear that Prime Minister Narendra Modi wants to pull

the plug on the life-support system for a self-propagating organism that, like Topsy, just "grow'd" larger and larger.

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The coup de grace was long overdue. Ironically, Modi's predecessor helped prepare the stage. [Manmohan Singh](#) was Deputy Chairman (DCH) of the

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Planning Commission (PC) in 1985 when the Seventh Five-Year Plan was being finalised. C G Somaiah, the then Member-Secretary of the PC, wrote that Prime Minister Rajiv Gandhi "wanted us to plan for the construction of autobahns, airfields, speedy trains, shopping malls and entertainment centres of excellence, big housing complexes, modern hospitals and healthcare centres". Frustrated that the Commission was trying to argue about rural deprivation, an impatient Gandhi told reporters the Commission was a "bunch of jokers". Somaiah wrote that it took him a long time to convince an upset Manmohan Singh not to resign. More than a quarter-century later, Singh showed more resolve in 2009, early in his second term as prime minister, when he asked his protégé Montek Singh Ahluwalia, who has had the longest unbroken tenure as DCH (July 2004-June 2014) to examine the Planning Commission's role and recommend its reform. The PC is not enshrined in our Constitution; it was set up by a Cabinet resolution in March 1950 just before Jawaharlal Nehru, beguiled by the Soviet model of development, launched his first five-year plan. Over the past 64 years the PC has evolved into the "worst ministry in the government", as former member [Arun Maira](#) put it. M [Veerappa Moily](#), who led the Second Administrative Reforms Commission (2006-2009) describes the body as a "parallel government" with multiple tentacles that grew in strength as Manmohan Singh himself became a pallid non-performer in his last two years in office. Singh and Ahluwalia tasked Maira with an informal survey on how the Commission could be reformed. Maira interviewed 19 eminent persons in February 2010. The crux of what they said was: the Commission was out of step with the 21st century. This was even more starkly evident as the percentage of public investment in total investment fell from 34.7 per cent to 21.9 per cent between the 8th and 11th Plans, and the states became more independent and self-reliant in managing their finances. "In this context, 1000 page tomes with detailed five year plans are no longer the best instruments to guide the country," a note prepared for the prime minister on December 7 last year by Maira and fellow-members B.K. Chaturvedi and Mihir Shah said.

It was not the first time the powers that be had sought to reform the PC. Manmohan Singh tried it when he was DCH in the mid-1980s. In 2000, under a National Democratic Alliance ([NDA](#)) government, the then PC member-secretary NC Saxena hired external consultants to suggest a road map; that effort too failed.

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Significantly, from monthly discussions in the halcyon days of centralised planning, Prime Minister and chairman of the Commission, Manmohan Singh's meetings with its members slowed to just about once a year. In June 2010, he startled Ahluwalia and his colleagues by saying that the Commission must become a "systems reform commission" and an "essay in persuasion" - in other words, a think tank that would help the government formulate economic strategy, a central node in a knowledge network.

Instead, the Commission evolved into a case study in bureaucracy run amok. The "Internal Planning Commission" (IPC), the Commission members, the Secretary (always a senior IAS official) and the Minister of State for Planning, began to meet less and less frequently after the 12th Five Year Plan was finalised, nine months late, in December 2012. Despite loudly ringing alarm bells over sub-five per cent Gross Domestic Product growth, the 12th Plan blithely stuck to a scenario of 8 per cent average annual GDP growth during the 2012-17 period. Within the Commission, described as a "parking lot" for senior bureaucrats who were treading water between postings, files would routinely ply back and forth between desks in the same room and decisions were deferred. The PC became a safe haven for officials from the Indian Economic Service and the Indian Statistical Service. "Everything worked in silos," Maira said.

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The pressure to reform the Commission was slowly mounting. In April 2010 [C Rangarajan](#), chairman of the [Economic Advisory Council](#) to the Prime Minister, was asked to head a High Level Expert Committee to look at better management of public expenditure, including a plan for the abolition of Plan and Non-Plan expenditure and a better structure for allocating funds from the Centre to the States. Presenting its report in July 2011, the Rangarajan committee said the Plan/Non-Plan distinction was "dysfunctional and an obstacle in outcome-based budgeting". It recommended that public expenditure should move from a single-year to a multi-year horizon for better results.

Meanwhile, Parliament's powerful Standing Committee on Finance, chaired by former NDA Finance Minister [Yashwant Sinha](#), also began to lose its patience with the Commission. In June 2011 it called for an Expert Group to redefine the PC's role and objectives. In April 2012 the Standing Committee again peevishly noted the "evasive reply" from the government on examining the PC's role and making it "more relevant and effective for aligning the planning process with economic reforms". Soon after he took over as Minister of State for Planning in October 2012, the UPA's [Rajeev Shukla](#) suggested to Ahluwalia and his senior team that they meet informally with the Standing Committee. Ahluwalia, who enjoyed ministerial rank and effectively outranked Shukla, apparently insisted that he could not be summoned to appear before the Committee. Sinha and his colleagues agreed to meet the DCH and his cohort in Parliament Annexe as a compromise; a second meeting was held in the Commission's headquarters, [Yojana Bhavan](#). But nothing came of the two meetings.

On April 28 this year, Manmohan Singh met Ahluwalia and his senior team for the last time. He asked Ahluwalia to urgently answer four questions that ought to be weighed by the next Commission (and by implication the new government):

1. Are we still using tools and approaches which were designed for a different era?
2. Have we added on new functions and layers without any restructuring of the more traditional activities in the Commission?
3. What additional roles should the Planning Commission play and what capacities does it need to ensure that it continues to be relevant to the growth process?
4. Governance issues being integral to economic growth, are these areas for the Planning Commission to delve into?

Ahluwalia wrote a laboured, 12-page response. Reading between its lines, he is trying to defend a tired, outdated institution. At one place he notes that "we have yet to come to a satisfactory operational modality". He writes that the Commission has indeed added new layers and not restructured traditional activities; and in classic babu-speak, "It is inherently difficult to determine how effective we have been in persuading other Ministries for the simple reason that Government decisions are always the result of extensive inter-Ministerial discussions in which the Commission participates and provides inputs."

Possibly the last nail in the Planning Commission's coffin was hammered in last month by the Independent Evaluation Office headed by Ajay Chhibber. The IEO was nominally an affiliate of the PC. In a blistering report submitted to Modi, Chhibber said the Commission must be abolished because it lacked accountability, reported only to the prime minister, and had usurped a role that ought to have been performed by the Finance Commission. "Neither the Constitution nor its framers envisaged a Planning Commission with administrative or control rights over the distribution of funds to the various States," the report said. Because of its bureaucratic structure, the IEO said, "non-experts end up exercising ineffective and unwarranted influence over the spending decisions and developmental priorities of the States".

Straddling the ideological divide, both Yashwant Sinha and Veerappa Moily agree the Planning Commission should not be involved in day-to-day financial decision making. Sinha says there are too many centrally-sponsored and funded schemes which should be whittled down to ten with full and regular oversight and accountability. Chhibber's note to Modi recommends the Finance Commission should apportion funds between the Centre and the States; recommends that a Department of Planning could be folded into the Finance Minister (?) to decide allocations among the various ministries; and the Planning Commission should give way to a think tank called the Reform and Solutions Commission. What will be Modi's path?

( Originally published on Jul 10, 2014 )

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