
UNIT 2 PLANNING PROCESS

Structure

- 2.0 Aims and Objectives
- 2.1 Introduction
- 2.2 Process of Planning
- 2.3 Plan Schemes
- 2.4 Machinery for Planning at the National Level
- 2.5 Machinery for Planning at the State Level
- 2.6 Let Us Sum Up
- 2.7 Key Words
- 2.8 Suggested Readings

2.0 AIMS AND OBJECTIVES

This unit will help you to understand the process of planning in our country at the national and the state level. At the end of this unit, you should be able to:

- Describe the process of planning in India;
- Indicate the nature of the planning machinery – both at the national and state levels; and
- Indicate linkages between the levels of planning.

2.1 INTRODUCTION

The subject of rural development has acquired great importance in recent times. Alongside this, the process of planning has also become crucial because planning is viewed as an important means of solving some of the outstanding issues of development. In this unit, you will be primarily acquainted with the process and the machinery of planning in India. Planning indeed is a complex exercise involving the participation of central and State governments and other agencies. After reading this unit, you will be able to understand the other major issues in planning structures, particularly the ones relating to decentralization, which are the focus of attention in the subsequent units of this block.

2.2 PROCESS OF PLANNING

Here, we shall consider how the budget and the annual plan are placed in the time frame of the Five Year Plan.

Perspective Planning

In any planning process, a set of objectives is to be achieved within a time frame. In India, the well-accepted principle in formulating Five Year Plans within which we have the Annual Plans. However, there are occasions when the government would like to set for itself certain objectives for a longer time frame, say 10 to 15 years. This process of planning for a longer time frame is perspective planning. In the framework of perspective planning, targets in the longer time frame are also set. In the Indian context, two good examples of this can be observed in the context of the Minimum Needs Programme (MNP) and the reduction of poverty in our country.

With regard to the former, in the Sixth Five Year Plan, for various sectors like elementary education, rural health, rural water supply, rural roads, rural electrification, housing for landless labour, environmental improvement of urban slums, nutrition, etc., the target to be achieved were given time period up to 1990, 1995 and, in some cases, up to 2000 A.D. Thus, there was a perspective for these sectors in a 10, 15 or 20-year time frame.

Likewise, in regard to poverty, the Sixth Five Year Plan in 1980 set an objective of bringing down the percentage of the population below the poverty line from about 50 per cent at that time to 10 per cent in 1995. The Seventh Plan was set in a 15-year perspective and, for some sectors, a perspective plan of 15 years was prepared and objectives, as well as physical targets, were indicated accordingly. Perspective planning, thus, situates the current plan in a long-term scenario and gives a broad indication of the development path.

Five Year Plans

The main vehicle of planning in India, however, is the Five Year Plan. We began the process in 1951 and after three successive plans, the period between 1966 and 1969 there were three Annual Plans. This has sometimes been termed the period of 'Plan Holiday'. From 1969 again, the Five Year Plans have been formulated though, here too, there was a break in 1978 and again in 1980. The Fifth Five Year Plan 1974-79 was terminated a year ahead of schedule in 1978 and then the government formulated a draft Five Year Plan for 1978-83 to give effect to its policies and programmes. However, before this plan could be finalized, the government changed and we, therefore, had a new Sixth Five Year Plan for the period 1980-85. One could obviously see here an understandable relationship between the democratic and political processes on the one hand and the development process on the other. The government in power naturally wants the development process to take place in accordance with its stated policies and this is given effect through the mechanism of Five Year Plans.

Well before the beginning of a five-year plan period, the Planning Commission and the state Government initiate the planning exercise. For example, the process of preparing the Eighth Five Year Plan (1990-95) began

in 1987. The initial exercises began with a critical review of the state economy, the problems facing it and the outstanding development problems (social and economic). The approach, strategy and main issues (growth rates, resource mobilization, social justice consideration,) are discussed within the Planning Commission through a series of internal meetings. The Planning Commission also invites eminent economists and public figures for their views and holds meetings with key figures of industry and trade, trade unions and social service organizations.

At the highest policy-making level, the full Planning Commission meets under the Chairmanship of the Prime Minister. This body approves the Approach Paper to the Plan. The document is basically a statement of the objectives and the strategy to be adopted for the plan period. The Approach Paper is then presented before the National Development Council (NDC) for its consideration.

The Central Ministries begin their planning exercises on the basis of the guidelines given by the Planning Commission. Steering Groups/Working Groups are set up by the Central Ministries. On some key issues of an inter-sectoral nature, the Planning Commission constitutes Steering Groups/Task Forces. There is close interaction between the Ministries and the Subject Division concerned with the Planning Commission. Based on the reports of these groups, the draft plan proposals are prepared by the Ministry concerned. These are then sent to the Planning Commission where a further round of discussions takes place between the Ministry concerned and the Planning Commission after which the sectoral plan is given shape. These are then aggregated, reviewed, modified and integrated within the overall frame of the Central plan.

Simultaneously the State Planning Department begins work to prepare the State plan proposals. It initiates action on the basis of the guidelines sent by the Planning Commission and the Central Ministries. The broad strategy and approach to the State plan is considered in the first instance and exercise for reviewing the plan, assessing the resources position and extent to which additional resources can be mobilized, and the priority areas are undertaken. The Departments are asked to prepare the sectoral proposals, which are then reviewed, modified and integrated within the overall State plan frame, taking into consideration the State's priorities and the resource position. The draft plan is then sent to the Planning Commission where a discussion takes place for each sector between the State government and the concerned Ministry at the Centre and the concerned subject Division in the Planning Commission. In the finalization of the State Plans, the Deputy Chairman of the Planning Commission and the state Chief minister participate.

Let us take an example from the rural development sector. In the case of the Department of Rural Development, for the Seventh Plan, seven working groups, each headed by the Secretary of the Department, were constituted. These were for self-employment, wage employment, land reforms training,

involvement of voluntary organizations, technology, management and administration of rural development, area development programmes and village amenities programmes. Each of these working groups, in turn, had constituted smaller sub-groups. These groups/sub-groups, which comprised officials, non-officials and experts, examined the current situation, reviewed the existing strategy and performance and then suggested a strategy for the Seventh Plan, keeping in mind a longer time frame. The schemes were identified (both current and new schemes) and the outlays were indicated.

After the exercises of Central Ministries and State Government were completed by the Planning Commission, the Central and State plans were integrated and outlay for various sectors as well as programmes in these sectors were indicated. The approval of the Planning Commission (the full Commission included the Prime Minister, some Cabinet Ministers who attended as ex-officio members and full-time members), the Union Cabinet and the N.D.C. is then sought.

Annual Plans

The Annual Plans are prepared both by the Central Ministries and the State Governments for the sector concerned within the framework of the respective Five Year Plan, which has been approved. These exercises begin normally around September/October of the preceding year. Since the broad framework of a Five Year Plan is available in terms of programmes, financial outlays, targets, etc., this exercise is not as elaborate as the one for preparing Five Year Plans.

The Central Ministries/Departments prepare their Annual Plan proposals and submit them to the Planning Commission. These are then discussed at the level of Secretary, Planning Commission and Secretary of the Department/Ministry for finalization, in which officials of the Ministries concerned and the Planning Commission also participate. The Ministry of Finance is closely involved in these discussions since they have to integrate the Annual Plans of each Ministry into the annual budget of the Central Government, which is normally presented to the Parliament on the 28th of February.

Similarly, the work of preparation of the State Annual Plan precedes the preparation of the Annual Budget. For this purpose, the Planning Department holds a series of meetings with various administrative departments in the State Secretariat and the Heads of Departments, concerned with the Plan. While doing so, the Planning Department keeps in mind the requirements of spillover expenditure on continuing schemes, funds required to meet the commitments already made by the Government, and funds needed to maintain the tempo of development and also the new programmes that could be taken up in the next year, subject to availability of resources.

Keeping in view the requirements of funds, the estimates of likely resources that can be mobilized, as also the inter sectoral priorities, a tentative Annual Plan ceiling with its sectoral physical and financial break-up is prepared and submitted for approval to the Council of Ministers. Thereafter, the sectoral financial allocations are intimated to the departments concerned, which make the plan exercise and submit the sectoral plan, the scheme-wise proposals for preparation of the annual plan document to be submitted to the Planning Commission. These proposals are then considered by the State Planning Department and integrated within the overall State plan frame. A consolidated draft document is prepared and submitted to the Planning Commission. The proposals are discussed in the Working Groups constituted by the Planning Commission with representatives of the State Government. The suggestions of the Working Groups are considered and finalized in a meeting between the Chief Minister, Minister-in-charge of Planning of the state and the deputy Chairman of the Planning Commission. The State Government thereafter integrates this Annual Plan into their annual budget, which is presented to the State Legislature, normally in February or March.

In the case of Annual Plans, the process of approval by the full Planning Commission, Union Cabinet or the NDC does not take place primarily because the Annual Plan is prepared within the framework of a Five Year Plan, which has already gone through this process.

Budget

The Budget, which is prepared at the Union and State Government levels every year, is an instrument of fiscal policy. It covers the period between 1st April and 31st March of the next year. It includes both the receipts and expenditures of the Government. It includes the non-plan and plan expenditures. The plan expenditure is the development budget of the Government and reflects the Annual Plan of the Government. It aggregates the Annual Plans of various Ministries/Departments in the case of the Central/State plan.

Mid-term Appraisal

Normally, during the course of a Five-Year Plan, a mid-term appraisal is undertaken by the Planning Commission. In the case of the Seventh Five Year Plan 1985-90, this was undertaken by the Planning Commission during 1987-89. This exercise provides an opportunity to review the progress of the Plan and generate signals for action, both for the remaining period of the Five-Year Plan and possibly for the next Five-Year Plan also.

The process followed for the Seventh Plan mid-term appraisal was that the sectoral assessments were prepared by the subject divisions of the Planning Commission. The Ministries concerned were also involved by the Planning Commission in the review of progress, current problems, issues and the course of action. These were discussed in meetings in the Planning Commission in order to develop an initial draft appraisal, which was

reviewed in the Planning Commission at a number of meetings chaired by the Deputy Chairman. The document approved by the Planning Commission was then placed before the NDC and was tabled in the two Houses of Parliament.

2.3 PLAN SCHEMES

The plans given effect through various schemes are of three types – Central schemes, centrally sponsored schemes and State sector schemes. Since the subject of economic and social planning is in the Concurrent List of the Indian Constitution, plan schemes are in the State Plan as well as in the Central Plan. The plan schemes in the Central Plan are generally of two types, namely, Central Sector Schemes and Centrally Sponsored Schemes. The Central Plan outlay is the sum total of the outlay on Central sector schemes and the Central share of centrally sponsored schemes.

Central Sector Schemes are those, which are fully funded and implemented by the Central Government and its organizations. Centrally Sponsored schemes, however, are those, which are fully or in part funded by the Central Government and Government support for centrally sponsored schemes varies — in some cases, it is 100 per cent and in some 75 or 50 per cent. The centrally sponsored schemes sector has for long been contentious between the Central and the State Governments and as justifiably the State's sphere of activity. On the other hand, Central participation through centrally sponsored schemes has been justified on the ground that without this, important programmes will not get the priority they deserve in several, if not all, the States. In regard to centrally sponsored schemes, the major ones under rural development are IRDP, Jawahar Rozgar Yojana, DDP, and DPAP, all of which you have dealt with in the previous course.

The State Plan is the sum total of State sector schemes plus the State's share of centrally sponsored schemes. An important example of a State Plan Scheme funded entirely by the State Government in the sphere of rural development is the employment Guarantee Scheme of Maharashtra.

Plan Assistance

Plan assistance is provided by the Central Government to the States for the State Plan. In 1969, the NDC approved the criteria for allocation of funds by the Planning Commission to the States. This is popularly called the 'Gadgil' Formula. Under this Formula, after taking care of the requirements of Assam, Nagaland and Jammu & Kashmir, the Central Government's assistance was distributed 60 per cent on the basis of population, and 10 per cent on per capita income (only to those states whose per capita incomes were below the national average), 10 per cent on commitments in respect of major continuing irrigation and power projects (each costing Rs. 20 crores and above), 10 per cent on the basis of tax efforts in relation to per capita income, and 10 per cent to meet special problems. Thirty per cent of the funds were provided as

outright grants and 70 per cent as loans. However, in the case of Assam, Jammu & Kashmir and Nagaland, the entire Plan funds were provided as outright grants.

Since 1980, a modified Gadgil Formula is being followed by the Planning Commission for the allocation of plan funds. Under this, the first lump sum amount is pre-empted from the total pool of Central assistance to meet the requirements of the Special Category States, namely, Assam, Himachal Pradesh, Arunachal Pradesh, Jammu & Kashmir, Mizoram, Manipur, Meghalaya, Nagaland, Tripura and Sikkim. The balance amount is distributed among the remaining States giving 60 per cent weightage, 10 per cent to tax effort, 20 per cent on per capita income below the national average and 10 per cent to meet special problems.

In recent times, there has been pressure from the State for the Gadgil Formula to be suitably modified to make it more responsive to changes that have taken place during the last few decades. There is, however, no unanimity among the States, either in regard to the criteria to be followed, or the weightage to be given to them in allocating plan funds.

2.4 MACHINERY FOR PLANNING AT THE NATIONAL LEVEL

The Directive Principles of State Policy enshrined in our Constitution, though not enforceable by any court, lay down principles fundamental to the governance of the country, Article 37 clearly states that it will be the duty of the state to apply these principles in making laws. Important Articles of the Constitution of interest to rural development are Articles 38, 39, 39A, 40, 43, 46, 47 48 and 48A. The detailed provisions are given in Annexure-I.

Briefly stated, Article 38 relates to promoting the welfare of the people, and Article 39 lays down the broad policy, that the state should follow for ensuring adequate means of livelihood for its citizens, protection of interests of children and women, etc. Article 40 relates to organizing village *Panchayat*, while Article 41 deals with the right to work, education and public assistance in some cases. Article 43 relates to securing a living wage and Article 46 to the educational and economic interests of the weaker sections of society. Article 47 relates to the standard of living, Article 48 to the organization of agriculture and animal husbandry and Article 48A to the protection and improvement of the environment and safeguarding of forests and wildlife. Thus, the Constitution contains provisions relating to the broad directions to be followed by the state in relation to the welfare and development of the people of the country.

Planning Commission

The Planning Commission is the technical body for facilitating the planning process in our country. It was set up by the Government in March 1950. Its functions are:

- i) to 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;
- ii) to formulate a plan for the most effective and balanced utilization of the country's resources;
- iii) to determine 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;
- iv) to indicate the factors, which tend to retard economic development and determine the conditions which, in view of the current social and political situation, should be created for the successful execution of the Plan;
- v) to 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;
- vi) to 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 may show to be necessary; and
- vii) to make such interim or ancillary recommendations as appear to be appropriate either for facilitating the discharge of the duties assigned to it or, on a consideration of prevailing economic conditions, current policies, measures and development programmes or on an examination of such specific problems as may be referred to it for advice by the Central and State Governments.

The organisation of the Planning Commission facilitates its role as an advisory body functioning at the highest policy level without further being involved in the responsibilities of day-to-day administration. The Prime Minister is the Chairman of the Planning Commission. The Commission has a Deputy Chairman and six or more full-time members. The Finance Minister and a few other Ministers of Cabinet rank are ex-officio members. At times, the Deputy Chairman is also the Minister of Planning. A full-time Secretary coordinates the technical and administrative activities. The Planning Commission functions through a series of divisions and sections. It has eight general divisions and eighteen subject divisions. Details of these are given in Annexure-2.

Within the general organisation of the Planning Commission, the Programme Evaluation Organisation (PEO) has functioned since 1952 as an ancillary agency. It undertakes evaluation studies to assess the impact of selected Plan Programmes in order to provide feedback to the planners and implementing agencies.

National Development Council

We have seen that, under the Constitution, the subject of economic and social planning is in the Concurrent List, as this is a subject in which the Centre as well as the States are interested and have to work in unison. The coordination of policies between the two integrating structures of the federal setup is brought about through a process of mutual consultation. This system of consultation in the formulation of policies on the basis of overall national requirements is the central point of planning in our country. The National Development Council (NDC) is the highest policy-making body, which provides the opportunity for plans to be formulated and implemented throughout the country as a unified development effort. Its Chairman is the Prime Minister. Its Members comprise Cabinet Ministers (some, not all), Chief Ministers of all the States and Members of the Planning Commission. The NDC is the body at the highest policy-making level, which approves the approach, and later, the final plan.

Planning Units of Central Ministries

Since the Central Ministries have an important role in the formulation of plans and considerable stake in the policies and programmes, which ultimately find a place, most Central Ministries have separate divisions or units for coordinating the work of the ministry to undertake these functions. The planning unit of the Ministry works in close collaboration with the programme division of the Planning Commission. It also initiates and coordinates the work of the Working Groups that are set up for preparing the plan. The draft proposals, incorporating the suggestions of the different working groups, are also prepared by it and these are then finalised by the Department/ Ministry concerned and sent to the Planning Commission.

2.5 MACHINERY FOR PLANNING AT THE STATE LEVEL

As in the Centre, so also in the States, several organisations and departments are involved in the planning process. Let us now consider these.

State Planning Department

On account of the diversity in administrative organisations in different States and Union Territories of our country, it is not possible to have a single uniform pattern for the planning machinery. However, a broad understanding of the planning machinery, as it prevails in a large number of States, is given in this section. In each State, there is a Planning Department, which is responsible for the preparation of the Five Year Plans, Annual Plans, monitoring of the plans and, generally, the evaluation of programme through its evaluation wing. Essentially, the Planning Department is responsible for coordinating the development efforts in the state.

The Five Year Plan for the State provides the framework within which Annual Plans are prepared. These take into consideration the guidelines set by the Planning Commission. The Planning Department is responsible for preparing the Five Year Plan and ensure that the Annual Plans reflect the steps being taken to achieve the broad objectives laid out in the State Five Year Plan.

In most states, in addition to the State Planning Department, there exists a State Planning Board. It comprises the Ministers concerned, experts, non-officials and officials. Normally, the role of such a Board is advisory, relating to plan strategies. It also suggests ways and means to improve the working of various programmes in the State.

Departments of Economics and Statistics, Manpower and Evaluation

In most states, within the administrative umbrella of the State Planning Department, there are departments of Economics and Statistics, Manpower and Evaluation. The Department of Economics and Statistics provides technical personnel at the State and lower levels for planning and monitoring of programmes. The Manpower Department assesses the requirements and need for manpower in the coming years and enables the planning process to incorporate action plans for meeting these needs in such a way that the overall manpower requirements for Plan's implementation are fulfilled. In addition, the Manpower Department is also sometimes entrusted with the responsibility of planning for the in-service training and orientation of the State officials. The Evaluation Department, as the name suggests, is entrusted with the task of conducting evaluation studies of the various programmes being undertaken on a concurrent or ex post facto basis. Such studies provide feedback to the State Government for enabling corrective actions to be taken in regard to Plan schemes.

District Planning Agencies

At the district level, most of the heads of departments are represented by officials termed as District level officers. For example, there are Executive Engineers for PWD, Irrigation, Public Health, Engineering Department, State Electricity Board, District Education Officer, Chief Medical and Health Officer, etc. These officials are part of the planning process at the District level.

In the context of major poverty alleviation programmes, viz., IRDP, NREP and RLGP, in 1980, the District Rural Development Agencies (DRDA) were set up to plan, implement and monitor such programmes. These are registered societies, generally headed by the District Collector. The Members of Parliament and Members of State legislatures from that district as also State officials are among its members.

In many States, *Panchayati Raj Institutions* have important roles to play in the context of planning rural development programmes. Generally, such

bodies are of three tiers and, in some cases, two tiers. Particularly in Gujarat, Maharashtra and more recently in Andhra Pradesh and Karnataka, such bodies have been entrusted with important responsibilities in relation to planning and implementation of rural development programmes.

In states like Maharashtra, there are District Planning and Development Committees (DPDC), which take important decisions with regard to planning rural development programmes at the district and lower levels. Such Committees may be presided over by Ministers or non-officials. In other cases, there may be District Planning Committees, which are for coordinating the work of development programmes and sometimes for taking decisions relating to location of projects, such as schools, roads, villages to be electrified, villages where drinking water is to be provided, etc.

The Constitution's 74th Amendment Act, 1992 has made specific provision for setting up a District Planning Committee (DPC) in every State "to consolidate the plans prepared by the panchayats and the municipalities in the district and to prepare a draft development plan for the district as a whole" (Article 243 D(i)). Till April 2003, DPCs had been constituted in 14 States and three Union Territories.

Check Your Progress III

Note: a) Use the space provided below for your answer.

b) Compare your answers with the text.

- 1) What are the respective roles of the Planning Commission, the Central Ministries and the State Planning departments in the formulation of plans?

(Hint: See the text of Sections 2.3 to 2.5 and write your answer)

.....

.....

.....

.....

.....

2.6 LET US SUM UP

This unit has two main themes, namely, the process of planning and the machinery for planning at the national and state levels. A brief idea has also been given regarding important planning agencies at the district level.

We saw that planning is not just an aggregation of physical and financial targets, but is a process of giving direction to the development effort in such a way that the fruits of growth reach different sections of society, especially the disadvantaged ones. Five Year Plans are formulated from the perspective of

long-term development. This enables us to raise the national effort to match specific long-term goals. Annual plans give operational meaning to these exercises. Monitoring, review and evaluation procedures help us to keep the programmes on the right course. The process of planning enables the Government to respond to the needs of the people, of course, keeping in mind the resources available at its command.

In a democratic and federal structure like ours, the process of planning has evolved on the basis of consultations between the Central and State government and involvement of the States in the Planning process. We also discussed about the machinery for planning at the Central and the State levels and saw the inter-relationships, both vertical and horizontal.

2.7 KEYWORDS

Macro-level Planning: Planning at the aggregate level, i.e., at the level of the country or state.

Infrastructure Base: Those industries or facilities, which are of fundamental importance to development, e.g., transport, power, roads, water, etc.

2.8 SUGGESTED READINGS

Government of India (1952), *The First Five Year Plan*, Planning Commission, New Delhi.

Government of India (1970), *Fourth Five Year Plan*, Planning Commission, New Delhi.

Sarkaria Commission (1988), *Commission on Centre-State Relations Report*, Government of India Press, New Delhi.

Government of India (1988), *The Constitution of India*, Ministry of Law, Justice & Company Affairs, New Delhi.

Dash, B.M. (2010). *Rural Development in India*, New Delhi Publishers, New Delhi