

# Revamp of the Planning Commission – Imperatives for India's States

by Dr Suraj Kumar

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Ever since Prime Minister Modi announced in his Independence Day address that the Planning Commission would be replaced to make it more suitable for current needs, there has been much discussion about the name, shape and role of the new body. The Commission, created by a Cabinet Resolution in April 1950, is being restructured based on a Cabinet Resolution of August 2014.

The revamp of the Planning Commission can succeed in its avowed purpose of fostering “Cooperative Federalism” (incidentally the credo of the Ninth Five Year Plan) only if the states of India have the intent and the capacity to cooperate with each other and the Centre on critical reform issues. These include investment promotion and the ease of business, taxation, infrastructure reforms (including next generation reforms in the power sector), amendment in land acquisition and labour laws, counter-insurgency... – the list is rather long and surely no central body can drive this by itself.

With his prior experience as Chief Minister of a large and leading state, the Prime Minister championed revamp of the Planning Commission to make it more useful to state governments' felt needs rather than a “Big Brother” laying down guidelines and taking states to task. Of course, the “centrally sponsored scheme” which left little leeway for states to customise with “untied funds” would also be revamped and then not only the Planning Commission but also national ministries in charge of these schemes would need to change and reform – responding to state governments and treating them like adults.

Prime Minister Modi understands that governance reform in India must focus on subnational governance – among federal countries India's provinces have the second largest share of public investment (after China) at 47 per cent of total investment.

Public investment in India, in an age of market reform, essentially serves the purpose of signalling and enabling private investment flows. A task before the revamped Planning Commission/Neeti Aayog would be to support state governments in attracting greater investment and sustain high growth rates that are required to generate more jobs and improve their human development.

States like Tamil Nadu, Gujarat, Maharashtra, Andhra Pradesh (undivided) and Karnataka are better at leveraging public investment to attract very large private investment. While each state has followed its own unique path, a common area of focus has been on improving own revenue (more effective taxation mechanism) and fiscal prudence.

States such as Madhya Pradesh, Chhattisgarh and Rajasthan have dramatically improved their social development indicators since mid-1990s and sustained focus on “Bijli, Sadak, Pani” (with the onset of the new Government's agenda, we should add “Bank aur Bandwidth”). The planning and budgeting exercise of these governments have surely made an important contribution, with the required convergence of departments to

eliver good results from schemes for women empowerment, use of IT for effective Public Distribution System (PDS) and financial inclusion.

Clearly, there is much to be learnt from the planning reform experience of India's states – and here the fresh-minded Neeti Aayog (Policy Commission) can and should do much. It can document systematically best practices so that states can learn from each other's experience.

State governments are already taking steps to reform their plan finance processes. By effectively linking preparation of state plan to the formulation of the state budget, the state of Gujarat revived its planning processes in mid-2000s. It not only made its state plans and budgets focused on human development, raising social sector allocations from below 15 per cent to more than 35 per cent. It also used verticals like Social Infrastructure Development Board, Disaster Management Authority (learning from Odisha experience) and institutions like the Bhaskaracharya Centre for satellite-based training and revived the Sardar Patel Institute for Public Administration, with a dedicated in-house Journal. Of course, the paperless Secretariat initiative in Gandhinagar was a pioneer of ERP in public administration.

The reason for highlighting Gujarat is not a political obeisance or fashionable convenience. This is an illustration (there would be examples from other states, under other political regimes) that a state government that invests in improving its planning and finance processes can deliver much better results from its public investment. It is undeniable that our high growth states such as Gujrat, Maharashtra, Haryana and Punjab are still lagging in social indicators such as infant mortality, child sex ratio and malnutrition. At the same time, we also recognise that these problems can be tackled only by improving effectiveness of expenditures in these sectors. This sends out good governance signals for “crowding in” private investment that boost GDP and promote human development.

Policy planning in India needs to take account of this and the planning commissions at a state level need to play their role. Better analysis of district budgets and human resources can help target funds and trained professionals to deliver better results from the now large funds flowing to districts. A greater focus on independent research and evaluation and engagement with think-tanks will surely take them a long way ahead. Better data collection from grassroots on a regular basis can provide evidence for policy and impact monitoring – and reinforce the

Office in the Neeti Aayog.

In sum, India's state governments need to complement the revamp of the National Planning Commission by root-and-branch reform of their state planning boards and departments. Greater participation and voice of the private and public sectors, leveraging corporate social responsibility and voices from the grassroots can lend a fresh perspective and new energy to the reform process.

Reform at the state level also requires the new Neeti Aayog to play a catalytic role through knowledge management and provision of practical advice for development solutions. It needs to move towards becoming the “development network” for India, from its conventional role as arbiter of funds. Its success in promoting cooperative federalism will be measured mostly by progress on triggering state level reform and good governance.



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