Planning at the State Level

The success of a plan depends not only on its content on the social framework into which it is fitted but also on the organisational machinery through which it is formulated and executed. If the Third Plan is to be a bigger and a better plan than the Second, it is imperative that drastic changes are brought about in the organisational machinery responsible for its preparation and execution.

Surprisingly little is known to the public about the actual process of plan-mating in India. How are the targets for the Third Plan being fixed? How are the choices with respect to technology, location, size, etc of industries being exercised?

Not certainly through the solution of complicated mathematical problems in giant electronic brain-machines. Obviously the process is one of laborious adjustments and readjustments between rival objectives and rival interests. It is necessary to examine this process in detail for finding out possible sources of weakness in planning. Unfortunately the details of the process are known only to a handful of people who are closely associated with the Planning Commission.

The present article sets out to examine certain aspects of the process of plan formulation at the State level about which the writer happens to have some first hand knowledge and experience.

The Five Year Plans consist of two sectors: the Central sector and the State sector. Broadly, the Centre is made responsible for the development of Industries as well as of Transport and Communication, while the development of Agriculture and Power is left to the States. The pattern of distribution for both the Second and Third Plans is shown in Table I. A closer examination reveals that the industries are not all left to the charge of the Centre; while the Centre is responsible for the development of the large industries, the States have the responsibility for the development of the Small Scale Industries.

While the development of Power can be said to have proceeded quite satisfactorily during the first two Plans, both in Agriculture and Small Scale Industries planning has suffered its worst set backs. The ups and downs in agricultural production in India over the last decade have been to a very much larger extent the result of variations in seasonal conditions and improvements in the collection of statistics than that of the measures taken under the Plans. In Animal Husbandry, Fisheries and Forestry, progress has been so little that it could make only a slight impression on the levels of output in these subsectors. In regard to Small Scale Industries, it is widely accepted that the industrial development of a country like India cannot take place through the multiplication of Large Scale Industries exclusively but must also involve vigorous growth of the Small Scale Industries. The Plans have rightly attached great importance to this sector. The experience however has been that the development of Small Industries present far greater difficulties than that of Large Scale Industries. As a matter of fact, with a few exceptions, it cannot be said that the attempts at developing the Small Scale Industries have been a conspicuous success.

The conclusion may therefore be drawn that until now planning at the State level has been very much weaker than planning at the Centre and that this has been responsible in no small measure for some of the most tragic failures of planning in India. The present method of planning at the State level is therefore a hurdle to the further economic development of the country. If the Third Five Year Plan has to achieve greater success with respect to Agriculture and Small Scale Industries, it is necessary to improve the quality of planning at the State level. WHO and what are then responsible for the present state of affairs? Who make the plan at the State level and how? What are the principles that guide decisions regarding the size of the State plan, the share of Central contribution, the relative sizes of the different State plans, the allocation of Central industrial projects under the Centre to the different States etc?

WHO MAKES THE PLAN?
The answer to this question, astounding as it may appear, is none. There indeed are such things as

Table I: Allocation of the Development Funds
(Rs Crores)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Second Plan (Original estimates)</th>
<th>Third Plan (Provisional, excluding inventories)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Central Sector</td>
<td>State Sector</td>
</tr>
<tr>
<td>I. Agriculture &amp; Community</td>
<td>65</td>
<td>503</td>
</tr>
<tr>
<td>Development</td>
<td>105</td>
<td>808</td>
</tr>
<tr>
<td>II. Irrigation &amp; Power</td>
<td>747</td>
<td>143</td>
</tr>
<tr>
<td>III. Industry &amp; Mining</td>
<td>1,203</td>
<td>182</td>
</tr>
<tr>
<td>IV. Transport &amp; Communications</td>
<td>396</td>
<td>519</td>
</tr>
<tr>
<td>V. Social Services</td>
<td>43</td>
<td>56</td>
</tr>
<tr>
<td>VI. Miscellaneous</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,559</td>
<td>2,241</td>
</tr>
</tbody>
</table>
we are not assuming a theoretically
at least a Planning Commission
qualify as plans. One may have
the .so-called State Plans cannot
formulated; all the same, there is
at the all-India level may
the plan at the all-India level is
the Intel of experts and specialists, headed by
some of the best economists and the
ablest and seniormost members of the
Indian Administrative Services.
It is also assisted by a Panel of Eco-
nomists drawn from the large body
of academic economists in India.
The plan at the all-India level may
not conform to the specifications of
any ideal plan theoretically, but it
does contain certain minimum ele-
ments of internal balance, and has
its foundation on the long-term pro-
jection of some important macro-
variables.

The conditions are entirely differ-
ent in the States. There is no De-
partment of the State Government
which is charged with the task of
drawing up the State Plan. There
is not a single officer in the service of the State Government who is spe-
cialised in the problems of planning.
There is no machinery to draw up
on the intellectual resources of aca-
demic economists for tackling the
economic- problems of the State.
There is no Department of Eco-
nomics and thus there is no possibility
at all of properly studying and ana-
lysing the economic problems of the
State and drawing up a plan taking full account of the economic prob-
lems. It is true that the Department
of Statistics in many a State is call-
ed the Department of Statistics and Economics, but the economic role of
these departments begins and ends
with the collection of some price
statistics and the like. it is also
true that there, is a department in the
Secretariat called the Planning
Department and a Secretary with
the designation of Planning Secre-
tary’ Rut it is a department like any
other department in the Secretariat;
the staff consists of clerks, typists,
stenographers, superintendents, As-
sistant Secretaries, Deputy Secreta-
ries and the Secretary. Not only do
the staff have no special training in
economic and planning problems,
they cannot even claim any special
ability for handling such problems
acquired through experience. For,
like other members of the Secretariat
staff, they are also subject to trans-
fer from one department to another
at frequent intervals. It may be
mentioned in this connection that
even as a part of the Secretariat, the
Planning Department could have
been made more useful for planning,
if a separate Secretariat cadre had
been formed for the Planning Depart-
ment as has been done for the Fin-
ance and the Law Departments. The
staff belonging to these two depart-
ments are required to have some spe-
cial qualifications and they are not
transferable to other departments.
This ensures that the members of the
staff of these two departments can
acquire proficiency in their special
field of work at least through expe-
rience. That even this has not been
done for the Planning Department
shows how little importance is at-
tached to planning at the State level.

THE PLANNING SECRETARY
It is not difficult to imagine the
disastrous consequences of such lack of specialisation when it is remem-
bered that in this respect the Secre-
tary for Planning happens to be
exactly in the same position as any
other member of his staff. Thus,
under the rules of the Indian Admi-
nistrative Services, an officer who is
today the Collector of a district may
become tomorrow the Secretary for
Education; then, after a few months,
he may become the Secretary of the
PWD: again, after a few years expe-
rience in that post, he may be
changed over to the Planning Secre-
tarial from which he may again be
transferred to the post of the Home-
Secretary. This is not merely a
possibility but the commonly obser-
evday reality in the State Secretariats. The story does not end here. The Planning Secretary
rarely has got only planning work
in his hands. He is usually ( I am
not sure whether universally or not )
also the Additional Development
Commissioner; that is to say, he is
also the de-facto administrative head
of the Community Development
and Extension Services of the State;
de-facto, because the Chief Secre-
tary is ex-officio the Development
Commissioner and thus is the official
head. The administration of the
Community Development and Exten-
sion Blocks is a task that takes away
a very large part of the time at the
disposal of its officer-in-charge par-
ticularly as it involves frequent in-
spection tours of the Blocks. But
even this does not necessarily ex-
haust the list of the things that the
Planning Secretary may have to do.
Under the Administration Services
Rules, a single officer may be put in
charge of more than one Secretariat
Department.

I know a Planning Secretary in a
State Government who in addition
to being the Additional Development
Commissioner is also in charge of the
portfolio of Local Administration.
In this particular case, the officer
had to he out on tour during more
than half the working days every
month. The Planning Secretary one
day called the Director of Statistics
for discussing with him some Gov-
ernment of India papers relating to
the Third Plan: it turned out that
what he wanted from the Statistician
was brief explanations of such terms
as "the rate of savings", "the rate
of investment", "consumption pat-
tern" etc. It so happens that plan-
ing in this particular State does
not have brilliant record of perform-
ce. The point however is that this
is not an isolated phenomenon, true
of this particular State alone. It
reflects the general state of affairs in
the States. It is possible, of course,
that Planning Secretaries in some
States may have real interest and
enthusiasm for planning and also
some ability for it; but such per-
sonal factors cannot make much
difference to a situation which arises
from the deep seated reluctance on
the part of the Government of India
to allow any Planning to be done
at the State Government level.

How THE PLAN IS MADE
What we have said just now am-
ounts to a serious criticism of the
philosophy of planning adhered to
by the Government of India, espe-
cially in view of the latter's ofl-
f-repealed declaration that decentrali-
sation is one of the cardinal princi-
pies followed by it in planning. That
the criticism is justified will however
be obvious from a close examination
of the actual process of plan forma-
tion at the State level. The process
begins with the constitution of a
number of Working Groups to pre-
pare proposals for schemes for the
different plan sectors. The Groups
consist mainly of the departmental
heads. Very often they reduce to
mere one-man shows, only the de-
partmental head most closely con-
cerned with a given plan sector tak-
ing any real interest in the work. Instructions for the constitution of a group comes down from the Government of India and are carried out by the State Planning Department. The Groups are not given any targets for financial outlay: they are asked to prepare proposals keeping in view the needs of the State on the one hand and the capacities of the Government departments to implement developmental schemes on the other. The groups get little guidance in their work from the Planning Department of the State Government. It is not at all surprising that it should be so; for, firstly, the Planning Department does not have the capacity to understand development problems and therefore to render any assistance to the Groups. Secondly, the State Government has no inkling of an idea as to the probable size of the State Plan; as such, it is difficult for it to judge whether the proposals of a particular group are disproportionately large or small. Thirdly, the priorities to be attached to the different sectors, even at the State level, are often treated as matters of all-India policy and are settled at the Government of India level. As a result, even in the absence of specific directions from the Planning Commission, the State Government does not dare issue any instructions; it passively waits for instructions to be issued by the Government of India.

The Working Groups in the State receive a lot of guidance from the corresponding Central Ministries and the Central Working Groups. ‘Guidance’ however is hardly the word, for what happens is not that the groups are helped to make reasonable proposals that can be easily incorporated in the State Plan but are merely induced to fall in line with the all-India pattern evolved by the Central Working Groups and not only by Ministries. The Central Ministries and Working Groups are also left by the Planning Commission to work by themselves without any financial outlay targets. This naturally encourages a spirit of bargaining and induces the Central Working Groups to set their outlay targets at fantastically high levels without any relation to what may be regarded as feasible or reasonable. The Central Working Groups in their turn encourage the State Working Groups to boast their own proposals to the maximum extent possible. This is perhaps the most important factor preventing any proper ‘planning’ being done by the State Government Planning Department, even if it were capable of doing the work: for, any objections raised by the Planning Department to even fantastic proposals coming from the Working Groups is met by the latter with the argument that the proposals have already been approved or have actually been suggested by the ‘Centre’, meaning Central Ministries or Central Working Groups. The result of such ‘Centre guidance’ on planning at the State level is, therefore, the violation of the very idea of planning. At a later stage the Centre lays down the sizes of the State Plans; it also lays down the allocations to the different sectors on the national plane. These two more or less completely determine the allocations to the different sectors of the State Plan. It is to be noticed that nowhere in the process has the State Government Planning Department the opportunity to exercise its discretion in the matter of fixing the allocation to the different plan sectors. There is of course scope for adjustments being effected by it, but they are only of a marginal character.

CENTRE DIRECTS AND DECIDES

Not only the allocations, but even the detailed plan schemes for each sector are subject to more of Central directions than to any directions of the Planning Department of the State Government. There are conditions and specifications laid down by the Planning Commission that each scheme has to satisfy; then there are ‘patterns’ for schemes evolved by the different Government of India Ministries who lure the State Governments to accept them by dangling before their eyes tempting conditions of Central Assistance in the form of loans and grants. State Governments are usually eager to accept any schemes when the terms of assistance are tempting. In particular they would never refuse to accept a scheme which the Centre offers to finance entirely, irrespective of the merits of the scheme and irrespective of the State Governments’ capacity to undertake additional burdens.

Thus the ‘State Plan’ does not reflect any planning at all carried out at the State Government level. The overall size of the plan and the share of it to be contributed by the centre are determined by the centre, though they may be significantly affected by the degree of pull that the Ministers of the different State Governments can exert on the Central Ministers. The allocations among the different sectors is determined by the Planning Commission in conjunction with the Central Ministries. The detailed schemes finally included in the plan, though often originating in the State Government departments, are modified and have to be approved by the Central Ministries and the Planning Commission.

Even though there is no planning carried out at the State level, can it be said that the allocations made and the targets set for the different sectors of the State Plan constitute a real plan for the State considered as an economic unit; handed down to the State Government by the Planning Commission? It is not known to the writer whether or not the Planning Commission has for each State a unit of experts considering exclusively the problems of the State and working out its long term programme of development; he is however sufficiently acquainted with the State Plans to doubt very much that there is in fact any such unit. The State Plan is a mere rolledeon of a number of schemes which neither satisfy any condition of balance nor are based on any basic programme of long-term development of the State. There are no well worked out economic policies underlying them, and the nature of the schemes often reveals gross ignorance and misunderstanding of local conditions on the part of whoever is responsible for their formulation.

There is one more indirect yet convincing evidence in support of the view that no planning is carried out for the State either at the State Government level or within the Planning Commission; it is provided by the avidity with which one State Government after another has been lapping up the services offered by a non-official research organisation to conduct techno-economic surveys for the States. It is easy to understand that if the State Governments themselves had any means at their disposal to draw up their plans in a rational manner, or were being aided by a body of experts in the Planning Commission to draw up such plans, they would not go to
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OFFICIAL SECRETS

It is difficult to consider the result arrived at through such a process as a 'Plan'. One would expect in a rational plan the allocations among the different State Governments, to the different plan sectors etc, to be carried out in an objective fashion to satisfy certain criteria of optimally from the point of view of the overall national economy. As a matter of fact the plan formulation process involves a lot of sheer bargaining from the most narrow and partisan points of view. The importance of the element of bargaining and rivalry is underlined by the atmosphere of hush-hush in which the process is wrapped up. Not only are the tentative targets and allocations jealously guarded from the lay public as top-level 'official secrets', the code of silence applies even between the Government of India and the State Governments, the different Ministries and the Planning Commission and even the different Government Departments and the Planning Department of the State Governments.

PRINCIPLES OF STATEWISE ALLOCATION

From this, yet another important question naturally arises. If the development of each State as an economic unit is not aimed at in planning, what is the principle that guides the allocation of development funds among the different States? Is the size of a State Plan made proportional to the population of the State? Table II clearly shows that it is not so. Can it then be said that the size of a State Plan is made proportional to its own resources, to the amount that it can contribute to its own plan? Once again, as Table III will show it is not so. There are gross differences between the proportions of Central contribution in the total plan sizes of the different States. Is the principle then to so allocate the State Sector development fund and so distribute the Central Sector investments among the different States as to lead to the quickest possible, disappearance of the disparity in the degree of development of the different regions of India? It certainly does not seem to be so. For it is seen from these two tables that many a State apparently in need of special attention in the matter of development has been treated very much less favourably than others which are relatively advanced.

This impression is strengthened when one examines the locations of the Central Sector industrial investments. Table IV shows the State-wise distribution of major Central industrial schemes. Given the extreme disparity in the allocations made to the different States, it is difficult to imagine that any regional principle underlines them except perhaps that of the greatest economic advantage from the overall national view point. It may be noticed that there is definitely no attempt at locating industrial investments in regions that are industrially backward (e.g. Assam, Kerala).

| Table III: Share of Central Contribution in State Plans |
|-----------------|---------|
| State           | %       |
| Andhra          | 59.4    |
| Assam           | 70.1    |
| Bihar           | 59.6    |
| Bombay          | 40.8    |
| Kerala          | 45.3    |
| Madhya Pradesh  | 75.0    |
| Madras          | 48.4    |
| Mysore          | 65.5    |
| Orissa          | 89.5    |
| Punjab          | 71.3    |
| Rajasthan       | 74.0    |
| Uttar Pradesh   | 54.9    |
| West Bengal     | 54.5    |
| All             | 61.3    |

<table>
<thead>
<tr>
<th>Table IV: Major Industrial Projects in the Central Sector in the Different States under Second Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>1 West Bengal</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>2. Bihar</td>
</tr>
<tr>
<td>3. Orissa</td>
</tr>
<tr>
<td>4. Andhra</td>
</tr>
<tr>
<td>5. Madras</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>6. Kerala</td>
</tr>
<tr>
<td>7. Mysore</td>
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<tr>
<td></td>
</tr>
<tr>
<td>9. Madhya Pradesh</td>
</tr>
<tr>
<td>10. Gujarat</td>
</tr>
<tr>
<td>11. Punjab</td>
</tr>
<tr>
<td>12. Delhi</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Note: The Statewise classification shown above does not exhaust the Central sector investment in industries. Only the major projects have been considered. The figures are mostly the revised provisions.
It may also be noticed, if one compares Table III with Table IV, that many a State which receives a high percentage of Central contribution in its plan also gets important Central Sector investments in industries, while those States which get a relatively small share of Central contribution in their plan are also deprived of any substantial Central Sector industrial investment.

It may, therefore, be concluded that the Government of India does not follow any principle in the distribution of investments among the States or that, even if there is one, it is not one that aims at the evening out of the regional disparities in respect of economic development. It is important to realise the dangerous implications of the above conclusion. It can be easily demonstrated (as Myrdal has done with respect to the developed and the underdeveloped countries on the world plane) that the operations of the free market economy tend to widen the disparities between the relatively advanced and the relatively backward regions, and that the process can only be stopped by deliberate planning aimed at countering the tendency. It would appear that planning in India, having started off a process of economic development but not having made any deliberate attempt at reducing the regional inequality in development, has actually contributed to increase that inequality.

**ONE UNIT OF MULTI-UNIT PLAN?**

It is difficult to believe that the accentuation of regional disparity is a matter of deliberate policy with the Government of India: is it then the result of an oversight on the part of our planners? The question is whether for purposes of planning the country should be treated as a single economic unit or as a multiplicity of economic units. It is clear that if greater success is to be achieved in the fields of Agriculture and Small Scale Industries and if the regional inequality in economic development is to be gradually reduced, it is the multi-unit model rather than the single unit model that should be used. The first concrete step to give effect to such a change in the approach to planning at the State level would be to set up in each State a miniature Planning Commission built in the image of the Planning Commission at the Centre. Such a Commission would have a vertical relation with the Planning Commission at the Centre and horizontal relations with the different departments of the State Government Secretariat. It could then act as the sole channel of communication between the State Government and the Centre in so far as planning matters are concerned. It would on the one hand communicate the decisions of the Planning Commission to the State Government and on the other, it would employ experts to study the economic problems of the State, work out lines of development, and place its findings and positive proposals before the Planning Commission at the Centre. Being an expert body it would be in a position to advise the State Government Departments on drawing up their plans in a rational way, scrutinise them, modify them, reject them if necessary, in short it would effectively introduce an element of coordination and planning at the State level. On the other hand, being situated within the State boundaries and being devoted exclusively to the study of the problems of a single State, it would be able to advise the Planning Commission about local needs and local possibilities, the detailed consideration of which is at present beyond the capacity of the latter body.