PLANNING

Introduction

After achievement of independence, India became a republic. She chose to follow a path of 'planning for social and economic development', which meant that the State would play a pro-active role in economic and social activities of the system with the help of institutions of private property and market.

We adopted the middle path, the concept of mixed economy, with public and private sectors playing complementary roles, remaining active partners in the common tasks of development. We opted for democratic planning aiming to achieve a high and sustained rate of growth, a progressive improvement in the standards of living of the people, eradication of poverty and unemployment to lay the foundation for a self-reliant economy. Planning strategy envisaging the role of state vis-à-vis market has drastically shifted in favour of market in the 1990s.

History

- Towards the end of 1938, National Planning Committee was set up under the Chairmanship of Jawahar Lal Nehru. The Committee produced a series of studies on different subjects relating to economic development.
- Eight leading industrialists of India conceived a Plan of Economic Development which is popularly known as Bombay Plan.
- There was also a Gandhian plan prepared by Shriman Narayan.
- Immediate after independence India announced a resolution of Industrial policy, 1948. This resolution gives, besides State's role in vital sectors of economy, the mind of the Government with regard to establishment of a National Planning Commission, which would formulate programmes of development and would secure their execution.
- The Planning Commission was set up by a Resolution of the Government of India in March 1950 in pursuance of declared objectives of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community. The Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilization of resources and determining priorities. Jawaharlal Nehru was the first Chairman of the Planning Commission.
- The first Five-year Plan was launched in 1951 and two subsequent five-year plans were formulated till 1965, when there was a break because of the Indo-Pakistan Conflict. Two successive years of drought, devaluation of the currency, a general rise in prices and erosion of resources disrupted the planning process and after three Annual Plans between 1966 and 1969, the fourth Five-year plan was started in 1969.
- The Eighth Plan could not take off in 1990 due to the fast changing political situation at the Centre and the years 1990-91 and 1991-92 were treated as Annual Plans. The Eighth Plan was finally launched in 1992 after the initiation of structural adjustment policies.
- For the first eight Plans the emphasis was on a growing public sector with massive investments in basic and heavy industries, but since the launch of the Ninth Plan in 1997, the emphasis on the public sector has become less pronounced and the current thinking on planning in the country, in general, is that it should increasingly be of an indicative nature.

Planning Objectives

1. **Economic Growth**

   The first and the foremost objective of Indian planning is the growth of the economy as rapidly as possible within a democratic framework. In a country with low per capita income and poor standard of living of the majority of the people, raising national income has naturally been the basic objective of development planning.

2. **Modernization**

   The second basic objective has been to modernize the economy. This amounts to structural and institutional changes in economic activities leading to a progressive and modern economy.

   - Modernization in all the three sectors of the economy, viz. agriculture, industry and services.
   - Shift in the sector-wise contribution to national income from agriculture to industry and the services.
   - Development of a diversified economy that produces a large variety of goods, including capital goods.
   - Establishing new industries in the fields of engineering, chemicals, petroleum, etc.
   - advancement of technology and innovation for making the economy efficient

3. **Self-reliance**

   This implies progressively reduction and ultimately elimination of dependence on foreign aid and imports for certain critical commodities.

   - Import substitution, i.e. producing the same commodities at home instead of importing them.
   - Expansion and diversification of exports
   - Self-sufficiency in production of food grains and the raw materials for industrialization.
   - After July 1991, with the globalization and opening of Indian economy, the shift has taken place towards outward orientation.

4. **Social Justice**

   To render social justice to all, more particularly to the deprived strata of the society.

   - Improving the living standards of the weaker sections of the population, namely, landless agricultural labourers, artisans, members of scheduled castes and scheduled tribes, women and children etc.
   - Reduction of inequalities in income and asset distribution, more particularly in the rural areas where land, the principal source of living, is unequally distributed.
   - A variety of welfare schemes, namely, special employment programmes of the poor, land reforms in favour of the small farmers, supply of concessional or subsidised items for production as well as consumption Purposes.

Changing nature of planning

1. In a federal democracy like ours, the principal task of planning is to evolve shared vision among not only the federal units but also among other economic agents, so that the efforts of all the actors become convergent towards the national priorities.
2. While the growth process can be made the responsibility of the corporate sector to a greater degree, its direction and distribution are to be steered by planned public intervention, so that regional imbalances are reduced and socio economic inequities are set right. For example, directing the growth of the large industry into the backward areas and technology-intensive areas to realize national goals.

3. The nature of instruments available to planners in the implementation has changed. The planning process has to focus on the need for planning for policy, so that the signals that are sent to the economic system induce the various agents to grow in a manner that is consistent with national goals. In particular, investment patterns would be determined by sectoral policies. For example, phasing in rupee convertibility over almost a decade, so that the necessary changes and adjustments can be made.
4. Given the federal nature of the Indian context, the role of planning is to develop a common policy stance for the Centre and the States. Also, the task of federal policy coordination is central to Indian planning. For example, the need to invite foreign investment in infrastructure areas like power need centre-state coordination as the necessary legislation and administrative changes involve both.
5. Lastly, planning at the grass root level, that is participatory, is very crucial for improving the delivery systems and proper use of resources. The role of the Government is thus to facilitate participatory planning.

Planning Commission

Functions:

The 1950 resolution setting up the Planning Commission outlined its functions as to:

The Constitution of India has guaranteed certain Fundamental Rights to the citizens of India and enunciated certain directive Principles of State Policy, in particular, that the State shall strive to promote the welfare of people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life, and shall direct its policy towards securing, among other things:

a) That the citizens, men and women equally have the right to an adequate means of livelihood;

b) that the ownership and control of the material resources of the community are so distributed as best to sub serve the common good; and

c) That the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

Having regard to these rights and in furtherance of these principles as well as of the declared objective of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production, and offering opportunities to all employment in the service of the community, the Planning Commission will:

1. 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 requirement;
2. Formulate a Plan for the most effective and balanced utilization of country's resources;
3. On a determination of 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;
4. Indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;
5. 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;
6. 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

7. Make such interim or ancillary recommendations as appear to it 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 Central or State Governments.

Tenth Plan (2002-2007)

The Tenth Five Year Plan marks the return of visionary planning to India after a long interregnum of cautious optimism. During the past two decades, India has no doubt been one of the ten fastest growing economies in the world. The Tenth Plan document contains a number of unique features which have been dictated by the targets set and the strategy that has been evolved to attain them.

The unique features of the plan are:

Growth Rate:

The National Development Council endorsed the Prime Minister's view that a Tenth Plan aiming at economic growth similar to that in the past decade would be inadequate. The best that could be achieved on the basis of past trends-perhaps a GDP growth of 6 to 6.5% a year-would not reduce poverty or create employment fast enough. It was thus, agreed that the overarching objective should be a doubling in per capita incomes over the next decade, with a more equitable regional spread. Such a growth could also result in the creation of perhaps 100 million new jobs over a decade to meet the needs of a growing labor force. Given that such acceleration will require a medium-term strategy and a calibrated change in policies, the corresponding GDP growth targets that have been adopted are:

- 8% a year during the Tenth Plan, and
- 9.3% a year during the Eleventh Plan.

The ultimate objective of the Tenth Plan is substantial improvement in the well-being of the entire population. GDP growth of 8% is thus, both a target and an instrument for improved welfare. Likewise, achievement of some of the social goals is necessary for sustained economic growth performance in the future. The Plan also seeks to create conditions conducive for a further acceleration on the rate of economic growth in the succeeding plan period (i.e. 2007-12). The overall objective is to double per capita income over a period of ten years i.e. 2002 to 2012. To emphasize the primacy of the social development goals, the Tenth Plan has set up eleven monitorable indicators, which are listed below:
Monitorable Social Development Targets for the Tenth Plan and Beyond

- Reduction of the poverty ratio by 5 percentage points to 21 % by 2007, and by 10 further points to 11 % by 2012.
- Providing gainful and high-quality employment to at least the addition to the labor force over the Tenth Plan period.
- All children to be in school by 2003; all children to complete 5 years of schooling by 2007.
- Increase in literacy rates from 65% to 75% within the Plan period.
- Reduction in gender gaps in literacy and wages by at least 50% by 2007.
- Reduction in the decadal rate of population growth from 21.3% between 1991 and 2001, to 16.2% between 2001 and 2011.
- Reduction in the infant mortality rate from 70 to 45 per 1000 live birth by 2007 and to 28 by 2012.
- Reduction in the maternal mortality ratio to 2 per 1000 live births in 2007 and 1 by 2012.
- Increase in forest and tree cover to 25% by 2007 and 33% by 2012,
- All villages to have sustained access to potable drinking water within the plan period.
- Cleaning of all major polluted rivers by 2007 and other notified stretches by 2012.

It is believed that the first two of these demanding targets, for poverty reduction and employment growth, can be exceeded if suitable policies are adopted.

The Core Strategy

The core strategy is driven by recognition that growth to a new plateau of performance cannot be achieved by continuing existing practices. It will require radical departures from prevailing policies. The process of preparing the Tenth Plan has required a search for, and resulted in agreement on sets of changes that if implemented together should deliver the improvements required.

Vision for the Eleventh Plan- Inclusive Growth

The central vision of the Eleventh Plan is to build on our strengths to trigger a development process which ensures broad-based improvement in the quality of life of the people, especially the poor, SCs/STs, other backward castes (OBCs), minorities and women. The National Development Council (NDC), in approving the Approach to the Eleventh Plan, endorsed a target of 9% GDP growth for the country as a whole. This growth is to be achieved in an environment in which the economy is much more integrated into the global economy, an integration that has yielded many benefits but also poses many challenges.

This broad vision of the Inclusive Growth includes several inter-related components:

- Rapid growth that reduces poverty and creates employment opportunities
- Access to essential services in health and education especially for the poor
- Equality of opportunity
- Empowerment through education and skill development
- Employment opportunities underpinned by the National Rural Employment Guarantee
- Environmental sustainability
- Recognition of women's agency
- Good governance

INDUSTRIAL POLICY

When India achieved Independence in 1947, the national consensus was in favour of rapid industrialization of the economy which was seen not only as the key to economic development but also to economic sovereignty. In the subsequent years, India's Industrial Policy evolved through successive Industrial Policy Resolutions and Industrial Policy Statements. Specific priorities for industrial development were also laid down in the successive Five Year Plans.

Building on the so-called "Bombay Plan" in the pre-Independence era, the first Industrial Policy Resolution announced in 1948 laid down broad contours of the strategy of industrial development. At that time the Constitution of India had not taken final shape nor was the Planning Commission constituted. Moreover, the necessary legal framework was also not put in place. Not surprisingly therefore, the Resolution was somewhat broad in its scope and direction. Yet, an important distinction was made among industries to be kept under the exclusive ownership of Government, i.e., the public sector, those reserved for private sector and the joint sector. Subsequently, the Indian Constitution was adopted in January 1950, the Planning Commission was constituted in March 1950 and the Industrial (Department and Regulation) Act (IDR Act) was enacted in 1951 with the objective of empowering the Government to take necessary steps to regulate the pattern of industrial development through licensing. This paved the way for the Industrial Policy

Resolution of 1956, which was the first comprehensive statement on the strategy for industrial development in India.

Industrial Policy 1991

Industrial policy, inter-alia, covers the procedures, principles, rules & regulations, which impact the industrial establishments of a country & shape the pattern of industrialization.

Objectives

The main objectives of the Policy were as follows:

- ✓ To maintain a sustained growth in productivity and gainful employment and attain international competitiveness.
- ✓ Self reliance or building up the ability to pay our import bills through our own foreign exchange earnings and developing indigenous capacity in technology and manufacturing
- ✓ Pursue sound policy framework encompassing encouragement to entrepreneurship, development of indigenous technology, dismantling of the regulatory system.
- ✓ Development of capital markets and increasing competitiveness
- ✓ Spread of industrialization to backward areas through appropriate incentives, institutions and infrastructure investments
- ✓ Encourage foreign investment and technology collaboration
- ✓ Abolish monopoly of any sector or any individual enterprise in any field of manufacture except on strategic and military considerations and open all manufacturing activity to competition
- ✓ Ensure that public sector plays its rightful role in strategic areas of national importance.
- ✓ Protect the interests of labour, enhance their welfare and equip them to deal with technology change

To attain these objectives, Government took a series of initiatives in regard to policies in the following areas.

- ✓ Industrial Licensing
- ✓ Foreign Investment
- ✓ Foreign Technology agreements
- ✓ Public Sector Policy
- ✓ Monopolies and Restrictive Trade Practices (MRTP) Act, 1969

Genesis and Rationale for Disinvestment in India

" While the case for economic reforms may take good note of the diagnosis that India has too much government interference in some fields, it ignores the fact that India also has insufficient and ineffective government activity in many other fields, including basic education, health care, social security, land reforms and the promotion of social change. This inertia, too, contributes to the persistence of widespread deprivation, economic stagnation and social inequality."

- Amartya Sen and Jean Dreze

In India for almost four decades the country was pursuing a path of development in which public sector was expected to be the engine of growth. However, the public sector had overgrown itself and their shortcomings started manifesting in the shape of low capacity utilization and low efficiency due to over manning and poor work ethics, over capitalization due to substantial time and cost overruns, inability to innovate, take quick and timely decisions, large interference in decision making process etc.

The Government started to deregulate the areas of its operation and subsequently, the disinvestment in Public Sector Enterprises was announced. The process of deregulation was aimed at enlarging competition and allowing new firms to enter the markets. The market was thus opened up to domestic entrepreneurs / industrialists and norms for entry of foreign capital were liberalized.
Because of the current revenue expenditure on items such as interest payments, wages and salaries of Government employees and subsidies, the Government is left with hardly any surplus for capital expenditure on social and physical infrastructure. While the Government would like to spend on basic education, primary health and family welfare, large amount of resources are blocked in several non-strategic sectors such as hotels, trading companies, consultancy companies, textile companies, chemical and pharmaceuticals companies, consumer goods companies etc. Not only this - the continued existence of the PSEs is forcing the Government to commit further resources for the sustenance of many non-viable PSEs. The Government continues to expose the taxpayers' money to risk, which it can readily avoid. To top it all, there is a huge amount of debt overhang, which needs to be serviced and reduced before money is available to invest in infrastructure. All this makes disinvestment of the Government stake in the PSEs absolutely imperative.

Primary objectives for privatizing the PSEs

- ✓ The primary objectives for privatizing the PSEs are, therefore, as follows:
- ✓ Releasing large amount of public resources locked up in non-strategic PSEs, for redeployment in areas that are much higher on the social priority, such as, basic health, family welfare, primary education and social and essential infrastructure;
- ✓ Stemming further outflow of scarce public resources for sustaining the unviable non-strategic PSEs;
- ✓ Reducing the public debt that is threatening to assume unmanageable proportions;
- ✓ Transferring the commercial risk, to which the taxpayers' money locked up in the public sector is exposed, to the private sector wherever the private sector is willing and able to step in - the money that is deployed in the PSEs is really the public money and is exposed to an entirely avoidable and needless risk, in most cases;
- ✓ Releasing other tangible and intangible resources, such as, large manpower currently locked up in managing the PSEs, and their time and energy, for redeployment in high priority social sectors that are short of such resources.

POVERTY

Concept

Despite the growth and development of the Indian economy during the last couple of decades, poverty is increasing in absolute terms.
According to Human Rights Commission's Report, the concept of poverty can be stated in three different ways:

The first and most effective definition of poverty	• 'Poverty is a situation, in which there is dearth of essential facilities, resulting from inadequate income'. There is a socially accepted minimum level of living – in every society. Those who live below this minimum level are said to live in poverty.
The second definition of poverty is based on basic or fundamental needs	• 'A failure to meet the basic human needs; or to remain deprived from such needs is a state of poverty'. The basic human needs include not only food, clothing and dwelling, but also health and education.'
The modern definition of poverty is based 'lack of opportunities'.	• According to the modern connotation, poverty does not merely mean lack of adequate income or inability to meet basic human needs. Some people do have a potential to cross the borders of poverty. They have good health and can live a productive life. But then, they are deprived of suitable opportunities. The tacit denial of opportunities pushes them into unemployment – resulting in loss of income and finally inability to meet the basic human needs. Here, the emphasis is shifted from the individual to the surroundings.

Prof. Amartya Sen's concept of poverty covers all the three elements.

"Poverty means an inability to obtain the human right to health and education. It includes right to earn income also. This inability finally leads to the doubt about his/her survival itself".

If we try to understand the concept of poverty in such wide connotation, it helps us reach the solution to the problem of poverty – by effectively integrating human organization and public policy with poverty.

Another aspect for understanding problem of poverty is distinguish between

Absolute Poverty

Absolute Poverty of a person means that his income or consumption expenditure is so meagre that he lives below the minimum subsistence level. Because of his absolute poverty condition, he is not able to maintain his health and efficiency and, in fact he may be starving.

Relative Poverty

Relative Poverty merely indicates the large inequalities of income. Those who are in the lower income brackets receive less than those in the higher income groups. The people with lower incomes are relatively poor compared with those with higher incomes, even though they may be living above the minimum level of subsistence.

It is absolute poverty which is a real concern for India.

Special Economic Zones (SEZ)

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.

This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes.

To instill confidence in investors and signal the Government's commitment to a stable SEZ policy regime and with a view to impart stability to the SEZ regime thereby generating greater economic activity and employment through the establishment of SEZs, a comprehensive draft SEZ Bill prepared after extensive discussions with the stakeholders. A number of meetings were held in various parts of the country both by the Minister for Commerce and Industry as well as senior officials for this purpose. The Special Economic Zones Act, 2005, was passed by Parliament in May, 2005 which received Presidential assent on the 23rd of June, 2005. The draft SEZ Rules were widely discussed and put on the website of the Department of Commerce offering suggestions/comments. Around 800 suggestions were received on the draft rules. After extensive consultations, the SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006, providing for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments.

Objectives of the SEZ Act

- Generation of additional economic activity
- Promotion of exports of goods and services;
- Promotion of investment from domestic and foreign sources;
- Creation of employment opportunities;
- Development of infrastructure facilities;

It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.

The SEZ Act 2005 envisages key role for the State Governments in Export Promotion and creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19 member inter-ministerial SEZ Board of Approval (BoA). The applications duly recommended by the respective State Governments/UT Administration are considered by this BoA periodically. All decisions of the Board of approvals are with consensus.

The SEZ Rules provide for different minimum land requirement for different class of SEZs. Every SEZ is divided into a processing area where alone the SEZ units would come up and the non-processing area where the supporting infrastructure is to be created.

SEZ Rules provide for

- Simplified procedures for development, operation, and maintenance of the Special Economic Zones and for setting up units and conducting business in SEZs;
- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in a Special Economic Zone;
- Single Window clearance on matters relating to Central as well as State Governments;
- Simplified compliance procedures and documentation with an emphasis on self certification