Planning Commission needs to reinvent itself

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The National Development Council has approved the approach to the Eleventh Five Year Plan contained in the document, "Towards Faster & More Inclusive Growth."

The council has always been an orderly body. I remember no occasion on which it turned down a Five Year Plan. Chief ministers, being politically savvy, are keen to recite the achievements of their state, and, with some exceptions, rarely comment on any analytical or ideological weaknesses in the proposal. Besides, keeping the Centre happy allows them to seek special favours later.

The document cleared recently is more than a marginal improvement over its predecessors. It is readable, not too lengthy, covers the key issues and undertakes obligations on several monitorable targets. Basically, it believes that a "feasible objective is to accelerate from eight per cent growth at the end of the Tenth Plan to 10 per cent at the end of the Eleventh Plan, yielding a GDP growth rate of about nine per cent in the Eleventh Plan". This will mean substantial increase in domestic investment from about 27 per cent in the Tenth Plan to 35 per cent in the Eleventh Plan; this increase would be financed through public and private investment.

Success, like prophecy, is sometimes self-fulfilling. The current economic buoyancy has silenced many critics and masks significant weaknesses.

The revised document, while outlining a coherent strategy, still fails to answer many questions. First, the fiscal. A reference to the vulnerability in the first two years of the plan by "the lack of sufficient feasibility in fiscal management arising from FRBM Acts in the Centre and the State" leaves one guessing on what is really being recommended. A pause button, a relaxation, or a re-writing of the targets themselves contained in the Act? This is important because the huge public investment proposed for irrigation, health, education, Bharat Nirman, extension of National Rural Employment Scheme to cover all districts, crop insurance, and ambitious social security programme for the unorganized sector will need substantial increase in public investment.

Given the present fiscal targets under the Act, even the anticipated increase in the Gross Budgetary Support (a nomenclature for the resources set apart in the budget to support plan expenditure) may not get accommodated even while this increase itself remains grossly inadequate.

Besides, if fiscal targets are breached by Centre, the States cannot be kept on a leash to adhere to the targets prescribed for them. You cannot have one set of rules for the Centre, another for the states.

Second, the targeted increase in foreign investment requires fresh thinking and strategy, which have not been spelled out. Even on the contentious issue of labour policy, after making out a fairly cogent case for labour reforms, it prefers to say that "there are different views on the actual impact of these laws on employment". True, but where does that leave us?

Third, a substantial part of the increase in public investment assumes improved management of non-plan expenditure, particularly, better targeting of subsidies and application of users' charges. We have said these things before, but there is little evidence to suggest any tangible improvement. Some states have chosen to go forward and we hope the others would follow but this may not be adequate. The power sector, particularly, remains problematic. Expectations that states will bring down transmission & distribution losses from the current 40 per cent to at least 15 per cent borders on wishful thinking. In no other area have policy prescriptions gone so awry as in power reforms. Yet, this is the centrepiece of a lot of other measures to keep us competitive and spur investment.

Fourth, a lot of reliance has been placed on public- private partnership. Apart from infrastructure, one area where this is greatly needed is in vocational and higher education.

The plan has rightly recognised that only 10 per cent of the relevant age-group go to universities against 25 per cent in most developing countries and there is overwhelming need to undertake major expansion.

Providing incentives to private investment is inescapable. But how can all this happen without significant reforms in the education sector, where notwithstanding the Knowledge Commission, no coherent road map is evident? Subsisting prejudices and exaggerated fears persist.

In conclusion, the Planning Commission has served us well in putting out a candid document. The expectations on growth trends and other socio-economic targets are dependent on multiple policy measures embedded in the document. Many unresolved issues elude public consensus.

Coalition politics does not help in times like these. Some states are willing to take difficult decisions. However, this is a good time for the Centre to end prevarication and begin action.

The Planning Commission may need to reinvent itself. Public investment, for a long time, will continue to play a significant, if not a dominant, role in our economy. Surely, as a custodian of our future economic strategy it is much more than a mere think-tank. The implementation of the policy content of what has been approved makes the commission accountable in multiple ways.

The Planning Commission, created by government notification, is not a statutory body. Nonetheless, its pejorative description as an extra-constitutional body is unfair. However, it must develop the institutional clout for others to listen and act on the agreed policies. The implementation of the Eleventh Plan will test this ability in full measure.