



## PART A: News pertaining to Planning Commission



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(महापुरुषों के प्रेरणात्मक विचार)

(The most important thing about goals is having one. लक्ष्य के बारे में सबसे ज़रूरी चीज है कि वह होना चाहिए)

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## **1. Plan to change: Planning Commission should morph into an apolitical body to evaluate government programmes**

**The Times of India: 09.12.2014**

In terms of symbolism, Sunday's meeting between Prime Minister Narendra Modi and chief ministers was an important step in the search for an alternative to the Planning Commission. Since its establishment in March 1950, the commission has tended to constrict space of states in choosing their development priorities. The outcome has been a suboptimal top-down and one-size-fits-all approach to development.

Replacing the commission need not involve the creation of new bodies. A largely dormant Inter-State Council needs to be revived as it was originally designed to be the body where the prime minister and chief ministers meet on equal footing to debate issues and find solutions. Sure, there exists a National Development Council where chief ministers are represented. However, over time it has shrunk to being an exercise in tokenism. Another constitutionally mandated body, the Finance Commission, should ideally have the last word in transfer of resources from Centre to states.

Where does that leave the Planning Commission? It still has institutional history and a collection of personnel with technical skills that are unavailable in other arms of government. If the PMO is to be the final arbiter of differences between ministries, it could do with a body that can examine the consequences of different courses of action. Moreover, a body to carry out long-term planning without getting into allocation of resources is necessary. How, for instance, will the ongoing changes in energy markets play out and what should we do to be prepared? These questions remain relevant as does the need for an independent body to evaluate efficacy of government schemes. The commission's replacement should be an apolitical, independent body that provides governments with clear-headed rigorous evaluations. And states must get a larger say in the developmental process.

## 2. New PlanCom may alter structure, focus of Central schemes

Sanjeeb Mukherjee, Business Standard: 09.12.2014

**Schemes are proposed to become an amalgam of priorities laid down by states**



The new body to replace the five-decade-old [Planning Commission](#) is expected to be structurally different from the existing one. It could bring about a fundamental change in the manner central [government schemes](#) are devised and implemented in India.

If the presentation made by the Commission to the chief ministers is followed in letter and spirit, central sector and sponsored schemes will no longer be the domain of central ministries alone. Instead, these would be an amalgam of priorities laid down by state governments, which, in turn, would also have the powers to tinker with the schemes according to their local needs. Whether or not this would signal death of central schemes remains to be seen.

### THE NEW PLAN

How schemes will be conceptualised and implemented in the new set-up, according to a presentation made by Planning Commission Secretary Sindhushree Khullar:

Overall scheme priorities may be agreed by consensus in a meeting between the Prime Minister and Council of chief ministers

Based on the agreed priorities, a basket of schemes may be finalised in consultation with the ministries  
States may decide to seek assistance under selected schemes that are relevant to their strengths, potential and needs

In partnership with the ministries concerned, scheme design to be tailored to the state's requirement to achieve the agreed outcomes

Simply put, a Grameen Sadak Yojana or a rural drinking water programme, for instance, might either get scrapped or reformed, if state governments unanimously say such a focus is no longer required.

So far, central schemes were primarily designed by the Planning Commission in consultation with line ministries and in keeping with the priorities of the ruling party of the time. So, a National Rural Employment Guarantee Scheme (NREGS), for instance, came to reflect the priorities of the Congress-led government at the Centre then, irrespective of whether or not all states benefited from it.

If the proposed changes are implemented, it will be the state governments that will decide if the current model of [NREGS](#) is uniformly suitable for all states.

Problems between the Centre and states over Central schemes, first identified in 1998, got further entrenched into the system over subsequent years. It was felt transferring funds to state treasuries for implementing central schemes was not yielding the desired result, as the treasuries were in a mess in most states and the transferred funds more often met only the salary needs.

Around 10 years ago, a mechanism was devised for Central schemes through which funds from the central government flowed directly to societies or panchayats, under overall supervision of the local administration, bypassing state treasuries. After state governments repeatedly raised concerns over this, it was decided at one of the [National Development Council](#) meetings that funds allocated for central schemes would be transferred to state treasuries. The plan finally got implemented in the interim Budget for the current financial year.

Another set of problems in Central schemes arose with states complaining the schemes were too rigid and their priorities were not in tune with the needs of the state concerned, and reflected only the vision of the central government. For instance, Gujarat complained it had built adequate number of rural roads, so the funds allocated to it under the Gram Sadak Yojana was of no use to it; instead, it required funds for drinking water projects.

However, because of the rigid nature of central schemes, funds allocated for rural roads were not allowed to be spent on drinking water. Also, there was little operational flexibility within the schemes, which states resisted. "If we take the example of the Gram Sadak Yojana, it says funds will be allocated if roads of certain width are built. Now, states in the Northeast have always complained this has little relevance for them as they cannot build wide roads because of the terrain," a senior official said.

Former member-secretary of the Planning Commission, Sudha Pillai, said the mechanism for consultation with the states has been grossly inadequate.

"The Planning Commission also remained a central government organisation. This will change for the better. One important difference among states is the presence or absence of a healthy resource base. This aspect has to be factored in while discussing a differentiated approach. The new body should structurally be able to do so," she told Business Standard.

The existing Planning Commission had tried to solve some of these issues by providing 10 per cent flexible funding in centrally sponsored schemes, as recommended by a committee headed by former Cabinet secretary and Planning Commission member B K Chaturvedi, but that was not seen as sufficient.

But the new mechanism for devaluation of Plan funds, some experts point out, might face some big challenges. The first could be in arranging for funds. Any scheme or programme or broad outlook devised in consultation with states is most likely to overshoot its budgetary allocation.

In the current mechanism, the schemes and their funding are devised in consultation with Central ministries, so managing with low funds is not a big problem. As soon as states get involved and a broad priority is decided, the budget will jump.

"Evolving a consensus among states for identifying a common priority could be tricky affair," said the official quoted earlier. The central ministries need to be in tune with the changed format.

Former Planning Commission member Saumitra Chaudhuri, however, said: "Taking the power of Central ministries in fund allocation for Central schemes is challenging, but involving state governments in designing schemes and programmes is a good idea." said.

### 3. Decentralising planning

The Financial Express:| December 9, 2014 12:29 am

#### SUMMARY

*More Finance Commission funds is a better idea*

Given how, over a period of time, state governments had begun to see the Planning Commission (PC) as an instrument of Central government oppression—state budgets couldn't be finalised without the PC's inputs and states allied with the Centre got more transfers than others—it is not surprising the new-look PC is to have the states on board. The core team of the PC will be the prime minister and the state chief ministers, and they will meet regularly to decide on what development priorities should be, even design different scheme for different groups of states. The PC's secretariat's role will be to help states and central ministries to achieve identified outcomes as well as to strategise over 10–20 year time horizons. And since the new-look PC will have ties with local and global think tanks, presumably this will end the view held by some that the government is not interested in strategic thinking. Appropriately, the PC will have an independent Development Monitoring and Evaluation Office (DMEO), though it is not clear how this will be different from the UPA's Independent Evaluation Office (IEO). The new-look PC, at least so far, is not going to have a US-style Congressional Budget Office whose job is to evaluate the impact of every major government tax/non-tax policy—perhaps this needs to be built in.

While the idea is, admirably, to give the states more flexibility in their spending—so that their plans will suit their needs and not just Delhi's—it has to be acknowledged the PC has been much maligned. While states get around half of the total central transfers by way of tax devolutions and are free to spend it as they choose, the bulk of the rest flows through central ministries—so, the rigidity in such funding and the designs of the schemes is more ministry-driven than PC-driven. Making PC-driven funding more flexible is undoubtedly a good thing, but states will never be fully-freed up unless the central ministries loosen their controls or unless the Finance Commission transfers more funds through the automatic tax devolution manner.

#### **4. No clarity on Plan panel revamp**

**The Asian Age: 09.12.2014**

**Does the government itself have a clear mind on the matter? All that seems clear is that the PM sees the panel as part of the Nehruvian legacy, and hence deems it fit to be thrown out.**

When Prime Minister Narendra Modi spoke of jettisoning the Planning Commission in his Independence Day speech, it became evident that the plan body created by Jawaharlal Nehru would soon be made history. Through this single announcement, the country's new leader from BJP ranks made a declaration of faith that the ancien regime piloted by the Congress was to be buried and officially forgotten.

But what would take its place still seems unclear though the Prime Minister held a conference with chief ministers on Sunday to discuss the matter. New reports suggest that most of those present endorse the Modi agenda of knocking the stuffing out of the Planning Commission. Expressions such as "cooperative federalism", which seems a special favourite of the PM, the plan exercise being from "bottom up" instead of being "top down", and getting rid of "one-size-fit-all" planning were bandied about with abandon, without concrete underpinning to them.

Four months after Mr Modi gave us an inkling that he has no love lost for the Planning Commission, we still heard banalities on Sunday. In these four months, the government has encouraged no public debate and discussion unlike the case with the Swachh Bharat campaign, for instance on the subject. Does the government itself have a clear mind on the matter? Even that is not known. All that seems clear is that the PM sees the PC as part of the Nehruvian legacy, and hence deems it fit to be thrown out.

Nehru began with the premise that the market could not be relied upon to allocate resources efficiently in a poor, post-colonial, economy if the aim was to address the question of intensive poverty and uneven development. The Indian capitalist class was not strong enough even to take baby steps, and hence had no quarrel with the state playing a significant role in the economic sector at the time.

A lot has changed since then for the better, but embedded poverty still remains the lot of nearly 40 per cent of our population. Should the state play a minimalist role now and let the market decide how resources will be allocated among different priorities? Should states now direct the national planning process (can Maharashtra have a clear thought on Orissa's potentials and needs and vice versa, for instance)?

Much was said at the Sunday conference about states being represented in the planning process. It is not clear what this means, for states were always closely aligned with the working of the plan body. In fact, much of what transpired seemed like hot air. Nothing tangible and concrete was spelled out. It was not even said that the entity that supplants the PC in Mr Modi's vision will simply be a mundane think tank.

## **5. How to revamp the Planning Commission**

### **The Economic Times: 09.12.2014**

The Planning Commission itself has been working on changing with the times, for some time. It has been pruning and merging centrally-sponsored schemes, focusing on scenario building and incentive funds for good economic conduct, such as in the power sector, rather than on sectoral allocations. But all this has not fundamentally changed the nature of the commission as an overlord of central funds whom the states resent but must heed if they want those funds. The way to radically overhaul the Planning Commission is for central funds to devolve to the states almost entirely through the Finance Commission mechanism, instead of half the funds going through the Planning Commission as of now.

In the kind of federal autonomy that the states seem to desire, there is no room for the Centre to borrow just for lending on to the states. The states have their areas of constitutionally given responsibility and sources of revenue, soon to be supplemented and fortified with a goods and services tax. If they want to finance projects they cannot fund with their own resources, including the central devolutions that are their due, they have the freedom to tap the bond market. The states cannot expect the Centre to borrow money and pass it on to them without asking questions about how the money would be spent and later monitoring compliance with stated intent. The best way to end such central intrusion into federal autonomy is to end central Plan assistance out of borrowed funds. Non-borrowed resources will be devolved through the Finance Commission, in any case.

Once the commission divests itself of the function of allocating Plan funds across states and schemes and subsequent monitoring, it can focus on creating long-term policies for different sectors of the economy and drawing up alternative frameworks in which these policies find coherence. The task of constantly suggesting updates for regulatory frameworks for different sectors can also be performed by the agency. Let it become a think tank, and stop being an ATM for the states.



## **6. Planning Commission: Now, finance panel may allocate funds**

**SMITA GUPTAPUJA MEHRA, THE HINDU: 09.12.2014**

*Over Rs. 3 lakh cr. was allotted to States by plan panel for various schemes*

In the aftermath of the scrapping of the Planning Commission, the Modi government is mulling whether the role of allocating plan funds across States can be given to the Finance Commission. It would like the new body that will replace the Plan panel to be a 'think-tank in the era of liberalisation' that could possibly be merged with the National Development Council (NDC), said a government source.

The NDC is the highest development policy planning body, comprising the Prime Minister, Union Cabinet Ministers, State Chief Ministers and State Finance Ministers.

The Modi government scrapped the Plan panel on August 13 through a Cabinet decision. Till then, the Centre had transferred to States in excess of Rs. 3,00,000 crore, or 2.5 per cent of GDP, annually through the panel. The mechanism for the transfers was two-fold. States received funds for Centrally Sponsored Schemes. They also received Central Assistance for their plans.

Each State's share was arrived at following discussions between the Planning Commission, Finance Ministry and the State Government in the case of Central Assistance.

For Centrally Sponsored Schemes, the individual State shares were determined through discussions between the Planning Commission, States and Union Ministries such as Health and Rural Development.

The Modi government is also considering reducing the total number of Centrally Sponsored Schemes to 10 from the current 60 plus. The Centre may not prescribe in detail how States should spend the funds it allocates to them. There could be some broad categories such as health and education, indicated Telangana Chief Minister K. Chandrasekhar Rao.

The Finance Commission is a Constitutional body that is appointed once every five years to recommend a formula for devolving the Centre's tax revenues to States. The Centre transfers about 2 per cent of GDP to States from its tax revenue.

For the Finance Commission to determine and allocate development funds to States, it will have to be a permanent body. For this the Modi government would have to amend the Constitution, said a former Planning Commission member.

## **7. Unanswered questions**

**The Hindu: 09.12.2014**

The key takeaway from the meeting that Prime Minister Narendra Modi had with State Chief Ministers to discuss the contours of the new body that will replace the Planning Commission was this: that power and planning should be decentralised and States should be empowered to plan, design and manage schemes based on what fits them best. This is a point on which consensus appeared to have emerged even as the Chief Ministers diverged along party lines over whether the existing body should be revamped or be replaced with a new one. The decision to offer a greater say to States in planning and managing schemes seems to have been born from Mr. Modi's own experience as Gujarat Chief Minister when he made presentations to the Plan panel and felt the need for a better platform to articulate the views of his State. In line with this consensus, Chief Ministers would be included in the body on a rotational basis to give it a federal character. Mr. Modi's remark on 'bottom to top' planning is a comment on how New Delhi cannot tailor the development plans of States as each State has unique needs and problems. A second point that appeared to have gained recognition was that expertise and knowledge resided as much outside the government, if not more so, and that these needed to be tapped by roping in the private sector into the new body.

There is, however, not much clarity on the traditional role of the Planning Commission, including its job of sitting in on expenditure committee meetings. Will it mean the end of the planning process itself? If not, who will formulate and monitor the annual and five year plans as the Commission was doing? Sunday's meeting also failed to tackle the issue of who will allocate and transfer funds from the Centre to the States for Centrally-sponsored and Plan schemes, with Finance Minister Arun Jaitley stating that further consultations would be held on this issue. The Planning Commission has also been a veritable think-tank producing studies and policy reports that different Ministries relied upon in their decision-making. The body was staffed largely by academics and bureaucrats at the top, and an attempt to enlist expertise from the business sector did not go very far. If the new body has to be a public-private think-tank, as the Prime Minister seems to want it to be, it should have the ability to attract top-drawer talent and also network with research bodies and universities in India and abroad. Interestingly, unlike the existing Planning Commission, the new body is likely to have a statutory role, giving greater weight to its functions and powers. At this stage, many unanswered questions remain, and a great deal more of conceptual thought needs to go into the making of the new body that is to come into being by the end of January.

## 8. Power and responsibility

### The Business Line: 09.12.2014

Winding up the Planning Commission must accompany empowering the States with greater financial autonomy

Although a majority of State chief ministers have supported Prime Minister Narendra Modi's bid to wind up the Planning Commission, a consensus has failed to emerge. Partisan politics was responsible for this to some extent, but there was a core issue between the Centre and the States that remained unaddressed — resource allocation. The objections raised were not so much about the need for planning *per se*, but rather to do with the largely unilateral setting of priorities, and more importantly, the allocation of resources towards achieving the set goals. There is little quarrel with the broad goals of the planning process itself — of creating physical infrastructure and improving human and social development indicators. The germane issue is about the micromanagement of the decision-making process, where questions of what, how much, by when and where such capacity is created, is decided at the central level. This clearly flies in the face of the federal structure envisaged in the Constitution, and reduces both the States and the central ministries to mere implementers.

Clearly, such Soviet-style centralised planning and resource allocation is irrelevant in a liberalised market economy, where private investment is the key driver and States compete with each other to attract such investments. Besides, half a century of 'planned development' has not been effective in ironing out developmental inequalities, and it stands to reason that different States will have different needs and priorities at any given point of time. So, while a Bihar might feel that creating powergeneration capacity and building connectivity might be its top priorities, a developed City-State like Delhi might want to focus on building better social infrastructure. A one-size-fits-all approach is simply unworkable, something Finance Minister Arun Jaitley himself acknowledged after the meeting. It is, therefore, no surprise that most State chief ministers want the powers of the Planning Commission to be transferred to the Inter-States Council.

That this has not already happened is because States want not just responsibility, but power as well. While what share States get of central revenue receipts has been decided by the Finance Commission, the actual allocation was largely controlled by the Planning Commission, with the resources channelled through the Union Budget, which is under the control of the Centre. Past governments have been reluctant to let go of this power, which is one of the reasons why the Union Budget occupies the larger than life space that it does in the Indian economy. The need of the hour is to work out a reasonable and workable compromise. After all, the government at the Centre is elected on the basis of its vision for the country it presents to the electorate, and it is only reasonable that it has both the policy-making as well as the financial muscle to deliver on that vision. At the same time, the Centre also needs to remember that governments at the State level are also elected and needs to walk the talk on an empowered federal structure.

## **9. Talking commission**

**The Tribune: 09.12.2014**

Chief ministers divided on party lines

Nothing substantive emerged from Sunday's Centre-state meeting on the Planning Commission's future. Such large all-party meetings rarely achieve anything. Government-Opposition confrontation, which does not let Parliament function, surfaces almost at every joint forum. Only mature politicians capable of rising above party politics and thinking of larger national interest can deliver results. There was, however, a consensus that the present arrangement was unsatisfactory. States needed a greater say in development. The "one-size-fits-all" approach found few takers. Prime Minister Modi quoted Dr Manmohan Singh to convince the Congress of the need for change. The BJP and its allies advocated a new entity, while the Congress chief ministers favoured a restructuring of the Planning Commission. Anand Sharma reflected the mood in the Congress when he called Modi a "master of repackaging and renaming".

The Planning Commission was set up by Jawaharlal Nehru through an executive fiat in March 1950 in pursuit of the Soviet model of development in which Five Year Plans played a major role. In such a command-and-control economy the focus was on building the public sector. The Planning Commission helped states formulate and fund their annual plans. The economic reforms, initiated in the 1990s, have pushed the country into a market-led economy in which Central planning has become irrelevant. As Gujarat Chief Minister, Modi acutely felt financial and administrative constraints imposed by the Centre. After becoming PM, he has been pushing for cooperative federalism and hopes the alternative to the Planning Commission, which he calls "Team India", would reflect that and give a greater role to states in economic growth.

It is realised that India being a vast and varied country needs different approaches to development. The needs of agricultural states are different from those of the coastal states. Some states have a potential for tourism, while others wish to focus on IT and exports, and still others may be suitable for developing manufacturing. Any new entity or restructured Planning Commission will have to focus on how best to develop India, how to pool available resources, provide and upgrade skills, build infrastructure, avoid duplication of facilities and achieve sustainable growth.

## **10. State to state**

**The Indian Express: 09.12.2014**

On the sidelines of his high-profile meeting with state chief ministers on Sunday to discuss the restructuring of the Planning Commission, Prime Minister Narendra Modi hosted an “agenda-less” retreat. Here, six chief ministers, cutting across party lines, were invited to make presentations on their successful development programmes. While the process to chisel and sculpt the new plan panel is now formally underway, the retreat has pointed to another project that must also be taken forward — the enlarging and deepening of inter-state sharing and exchange. Increasingly, states are becoming the primary locale of development schemes, initiatives, and models. Overall, they spend 40 per cent more than the Union government, and three, five and six times as much on rural infrastructure, education and healthcare, respectively. While states’ spending has been growing at 17 per cent a year for the last four fiscals, the Centre’s has been increasing by only 8 per cent. In this context, a regular and institutionalised inter-state idea exchange could be said to be long overdue.

As a party, the BJP was quick to see the benefits of such exchange between chief ministers of BJP-ruled states, encouraging, for instance, the sharing of best practices between them at its national executive meetings. Elsewhere, too, beneath the radar, inter-state learning has, hearteningly, been an ongoing process, in many cases defying political cleavages. Bihar’s ambitious Right to Public Services Act, 2011, drew heavily from Madhya Pradesh’s Public Services Guarantee Act, 2010. Rajasthan’s service-delivery guarantee borrowed from the Bihar bill. The Centre has also taken inspiration from the states — Tamil Nadu’s mid-day meal scheme, launched in 1982, was picked up by the Union government. Maharashtra’s employment guarantee scheme, 1977, preceded and contributed to the MGNREGA. Lessons can also be learnt from the fact that different states have shown different degrees of success in the implementation of Central schemes. Tamil Nadu stands out for its administration of the MGNREGA and Jharkhand has made significant headway in improving health indicators by its implementation of the National Rural Health Mission. On Sunday, while Karnataka Chief Minister Siddaramaiah reportedly spoke of the application of technology in governance (the “Bangalore One” citizen-services portal is hugely successful), Odisha Chief Minister Naveen Patnaik dwelt on his experiences with disaster management.

The process that was begun at the Sunday retreat in the capital must spread out beyond it. It could find a formal forum, perhaps, in the National Development Council or the Inter-State Council — though that would mean reviving these sleepy institutions first. Or it could be hosted by the revamped plan panel. Giving inter-state exchanges momentum and regularity would be the best way to lend meaning to the Modi government’s slogan of “cooperative federalism”.

## 11. Customarily petty

**The Statesman: 09.12.2014**

Still unable to stomach their electoral drubbing, at a meeting called by the Prime Minister to deliberate re-working the Planning Commission, the Congress' chief ministers went to the extent of opposing a move that had actually been advocated by Manmohan Singh. However, it must be noted that the objection was shriller outside the conference room than within ~ which indicates "instructions". The attendance was impressive, all chief ministers ~ except, understandably, the two in the midst of assembly elections and Mamata Banerjee priding herself in being in a minority of one. The Prime Minister set a positive tone by emphasising that making the Commission's replacement more relevant to contemporary demands had been suggested by his predecessor, a parliamentary committee had also examined the issue: "Dr Singh, who had been associated for a long time with the Planning Commission, had noted the body has no futuristic vision in the post-reform period and that it would have to reinvent itself to remain more effective and relevant in the present situation" Mr Modi recalled. That acknowledgement was a far cry from the stridency he had adopted when junking the Commission in its present form had been a highlight of his maiden Red Fort address. His call for integrated teamwork and having the states take a lead in development-planning appears to have generally gone down well, the Congress CMs excepted. Would it be reading too much between the lines to conclude that six months at the helm have persuaded Mr Modi to adopt as less-confrontationist posture when

wearing his prime ministerial hat and restrict his combative forte to the electoral dais? That

the BJP was restrained when reacting to the

Congress' criticism would suggest a maturity that has eluded 24 Akbar Road whenever it

has been relegated to the Opposition benches in Parliament.

Having noted the thinking of his predecessor, Mr Modi would do well to also recall Manmohan Singh's pet-phrase about "the proof of the pudding...". For the proverbial devil would lie in the detail of implementation of any measures in the offing. Various concerns were expressed by chief ministers, particularly those of "special category" states, and much will depend on how the revamp process is progressed.

There is merit in the suggestion that the Prime Minister have separate meetings with groups of chief ministers rather than all in unison, for there can be no one-size-fits-all approach to balanced development: a strategy that can

be adopted for a range of other issues too. Yet in the long run doing so would amount to the states assuming greater responsibilities ~ and New Delhi relinquishing some of its clout.

Would the latter gel with Mr Modi's alleged authoritarianism?

## 12. No room for opacity here

**The Hindustan Times: 09.12.2014**

The role and powers of the new body that will replace the Planning Commission should be clearly defined

For decades the Planning Commission served as India's main policy laboratory. The commission would more often be called upon to write the first draft of prospective policies before these passed through ministries. It also had a significant influence over states' annual plans as also the gross budgetary support (GBS) — a key metric that measures funds allocated for various welfare schemes, among others. In all likelihood, this is set to change. Prime Minister Narendra Modi had announced that the government would replace the Commission, founded in 1950, with a new body.

For the first eight plans the emphasis was on a growing public sector with public investments in basic and heavy industries. In recent years, however, the commission had come under scrutiny, with many experts questioning the body's role in a market-economy in which private enterprises are the primary growth engines. The need for a change in role was raised by the commission itself in 1992.

For obvious reasons, the group of states led by the BJP is in favour of a new body while the Congress-led states have questioned the need to pull the curtains down on the commission. Politics aside, there, however, are a few unanswered questions. For instance, what will happen to the National Development Council, which was set up in 1952 and has a special place in India's federal polity and Centre-State development matters? Will the plan panel's successor be a policy-making body? Will it also be called upon to play the role of an arbitrator or a go-between in instances of inter-state disputes such as riverlinking and water sharing? What kind of autonomy will it enjoy? Also, ideally any such body should be headed by a technocrat with a distinguished career in public life, who should be able to get things moving on sticky issues. The role and powers of the new body need to be clearly defined. Otherwise it carries the risk of drifting away into a similar state of anachronism like its earlier avatar.

### 13. Dainik Bhaskar: 09.12.2014

#### योजना प्रक्रिया में बदलाव की पहल

केंद्र सरकार ने योजना आयोग के स्थान पर नई संस्था के गठन की प्रक्रिया शुरू कर दी है। नई दिल्ली में राज्यों के मुख्यमंत्रियों की बैठक में आयोग को नया रूप देने पर सहमति बनी है। प्रधानमंत्री नरेंद्र मोदी ने योजना प्रक्रिया को टीम इंडिया की भावना से जोड़ने की जरूरत बताई है। नई संस्था में प्रधानमंत्री, केंद्रीय मंत्री, मुख्यमंत्री और विभिन्न क्षेत्रों के विशेषज्ञ शामिल होंगे। सरकार ने योजना प्रक्रिया को व्यापक प्लेटफॉर्म पर ले जाने का इरादा जताया है। आयोग का वर्तमान ढांचा लगभग 60 वर्ष पुराना है। 1950 में तत्कालीन प्रधानमंत्री जवाहरलाल नेहरू की पहल पर आयोग ने आकार लिया था। सुप्रसिद्ध अर्थशास्त्री महालनोबिस ने पूर्व सोवियत संघ की तर्ज पर पंचवर्षीय योजनाओं की परिकल्पना पेश की थी। समय के साथ नीतियों, कार्यक्रमों के स्वरूप में परिवर्तन होता है, इसलिए नई व्यवस्था का स्वागत होना चाहिए।

कांग्रेस की ओर से आयोग खत्म करने का विरोध स्वाभाविक है। कोई भी पार्टी अपनी नीतियों और कार्यक्रमों में बदलाव को सहजता से स्वीकार नहीं करती है। आर्थिक सुधारों के दौर में विकास के ढांचे को कारगर बनाने के लिए नए प्रयोग करना जरूरी है। योजनाओं के निर्धारण का वर्तमान तरीका पुराना पड़ चुका है। इसमें अधिक लोगों की भागीदारी नहीं है। योजनाएं बनाते समय राज्यों की विशिष्टताओं, समस्याओं और जरूरतों का पूरी तरह ध्यान नहीं रखा जाता है। योजनाएं ऊपर से थोपी जा रही हैं। योजनाओं के लिए बजट का निर्धारण राजनीतिक प्राथमिकताओं से परे रखने का रास्ता निकाला जाए। हालांकि ऐसा करना बहुत मुश्किल होगा।

आशा है, नई व्यवस्था इन बीमारियों का इलाज करेगी। संकेत हैं कि योजनाओं को आकार देने में प्राइवेट सेक्टर की भूमिका हो सकती है। खुली अर्थव्यवस्था के दौर में ऐसा होना चाहिए। इसके साथ जनभागीदारी का रास्ता निकाला जाए। योजनाएं जिन लोगों के लिए बनती हैं, उसमें उनकी हिस्सेदारी न्यूनतम है। नए सिस्टम में इस पहलू पर गौर किया जाए। नई संस्था को अधिकारों और संसाधनों के केंद्रीकरण को रोकने का सिस्टम बनाना होगा। योजना आयोग की जगह कोई नया ढांचा खड़ा करने की प्रक्रिया को सफल बनाने के लिए सरकार को फूंक-फूंककर कदम रखने की जरूरत है। जल्दबाजी में बनाई गई कोई भी व्यवस्था वांछित परिणाम नहीं दे सकेगी।



PART B

## NEWS AND VIEWS

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Communication, IT Information Division  
Phone # 2525

# Commerce Ministry launches new portal to give exporters info on FTAs

Will offer information on trade pacts to exporters, importers in one place

## OUR BUREAU

New Delhi, December 8

To ensure better utilisation of Free Trade Agreements (FTAs), the Commerce Ministry has launched a trade portal providing exporters with information on preferential tariffs and rules of origin in such markets.

The 'India Trade Portal' will also have other information of importance to exporters such as technical barriers faced by trade in different markets.

## Feedback sought

"Exporters should make best use of the portal, give continuous feedback for further improvement and additional details that they may need," said Nirmala



**Trade thrust** Commerce and Industry Minister Nirmala Sitharaman with Commerce Secretary Rajeev Kher and Additional Secretary JS Deepak at the unveiling of the trade portal in New Delhi, on Monday.

Sitharaman, Commerce & Industry Minister, inaugurating the portal on Monday.

India has signed a number of FTAs with various countries and regional blocs over the last few years, but exporters have not been able to utilise them well because of lack of knowledge about what the agreements of-

fered. The Indian Trade Portal will make available important data for use of exporters and importers at one place, in a user friendly manner and this will contribute to ease of doing business for trade and industry, an official release said.

The portal has been developed by the Federation of Indi-

an Export Organisations (FIEO) and will also be maintained by it.

Important FTAs signed by India include ones with Japan, South Korea, the 10-member Asean and Sri Lanka.

The country is also negotiating pacts with Australia, New Zealand, the EU and the Regional Comprehensive Economic Partnership (RCEP) with 16 countries including major Asian economies such as China.

According to FIEO, the portal will also facilitate the Indian industry's integration into the regional value chain.

"We can look for duty free import of semi-finished goods from such partner countries, converting them into value added finished products with skills and wage advantage at home, for exports to any partner country with duty free benefit on imports therein," FIEO said in its release.

## New Bill to cover aggregators

SURAJEET DAS GUPTA  
New Delhi, 8 December

The proposed Road Transport & Safety Bill, expected to soon be cleared by the government, has for the first time incorporated clauses to bring companies such as like Uber, termed "aggregators", under the ambit of regulation.

One has to get a permit to operate radio-taxi services, under Section 74 of the Motor Vehicles Act, which specifies fleet size, verification and qualification of drivers and the condition of the vehicle, among others. However, experts say companies such as Uber use a loophole. They offer a platform through which independent taxi operators meet customers. Uber does not own a single cab.

Section 162 in the proposed Bill deals with such

entities. It says an appropriate agency authorised by the National Transport Authority or the State Transport Authority may require an aggregator to furnish information relating to matters in their possession or control.

The information to be furnished includes the number of journeys undertaken on the services operated by the aggregator in the jurisdiction of its authority. Also, details on the structure of fares for those journeys and the distance covered by the vehicles used by the operator in those services.

Experts say in the existing system, aggregators are under no obligation, for instance, to undertake verification of the drivers who use its technology platform. Any commercially registered driver can register with Uber.



# RS Panel Set to Give All-Clear to I-Bill

Most MPs ready to give assent; 49% foreign investment cap to be composite

Our Bureau

**New Delhi:** The long-awaited insurance Bill, which will raise the overseas investment limit in the sector to 49% from 26%, looks set to become law before the year is out with a majority on the parliamentary select committee ready to give its assent. The Bill's passage into law — once cleared by the Upper House and approved by the President — will bolster the Narendra Modi government's economic reform credentials.

The Chandan Mitra-headed

committee has given the green signal to the Insurance Laws (Amendment) Bill, a member told ET, confirming the development.

**Members of the panel have been told to submit dissent notes by Tuesday evening**

"Mostly, all parties are on board... We do not expect more than four members to submit their dissent," the committee member said. Also, there is agreement on this limit being a composite one, which means it doesn't bar portfolio investors. That would make it more

attractive for insurers as it opens up the options when it comes to raising capital or exiting. The government plans to stick to the proposed formulation of capping total foreign investment at 49%, a senior government source said.

Along with the goods & services tax (GST), this is one of the reform measures most closely watched by international investors and, if passed, will be read as an affirmation of the Narendra Modi government's resolve to speed up economic liberalisation.



# Govt to amend green laws to reduce emission: Javadekar



EXPRESS AT  
COP 20, LIMA  
AMITABH SINHA

DECEMBER 8

IN LIMA to attend the high-level ministerial segment of the annual climate change conference, Environment Minister Prakash Javadekar on Monday said the government will soon amend a number of green laws that will yield "climate co-benefits" and put India on a low-emission growth pathway.

Though the details of the proposed amendments are still being fleshed out, Javadekar said some of the law changes suggested by the TSR Subramanian committee, which recently submitted its report, could be a good starting point.

The committee, constituted to study six environmental laws and propose amendments for better implementation, had recommended an Environmental Laws Management Act (ELMA). But that proposal does not have a climate objective. The committee acknowledged that the proposed law is concerned "primarily with management of applications for (project) clearances". But, it said at a later point that laws on air and water pollution should get subsumed in the ELMA.

"The suggestions of the Subramanian committee can be the starting point but we will have to include more provisions so that climate objectives are also achieved. But we intend to introduce these amendments in the budget session," Javadekar said.



Prakash Javadekar presents Narendra Modi's book on Climate Change to US delegates in Lima, Monday. PTI

"These amendments would ensure a package of laws that will have tremendous climate co-benefits," he added.

Meanwhile, Javadekar held a bilateral meeting with Todd Stern, the lead negotiator for the US, Sunday morning. The two sides are learnt to have discussed the contentious issues in defining the Intended Nationally-Determined Contributions (INDCs), which will become the basis for the climate agreement expected to be finalised in Paris next year.

India and the US have some common positions on the INDCs. Both are against an ex-ante review of 'contributions' announced by countries to assess whether the aggregate of 'contributions' from all countries is in line with the global objective of keeping the planet's temperature from rising above 2 degree Celsius from a 1850 baseline. Both agree that such a review will negate the 'nationally-determined' character of the INDCs.

But there are strong differences on a number of issues. India has been strongly arguing in favour of maintain-

ing a distinction between developed and developing countries in the INDCs according to the principle of Common But Differentiated Responsibilities enshrined in the UN Framework Convention on Climate Change under which the negotiations are taking place. US is not in favour of any such differentiation.

During the talks on Sunday, India is learnt to have sought US support for the inclusion of adaptation measures in the INDCs. India has been maintaining that 'contributions' cannot only mean mitigation actions and that adaptation measures, especially by developing countries, should also be counted as 'contributions' in fighting climate change. The US does not want a mitigation-centric effort to be diluted.

The two countries are also learnt to have discussed bilateral efforts in dealing with the adverse effects of climate change.

On Monday, Javadekar is meeting the Chinese delegation after which a meeting of representatives of SAARC countries is planned.

## Bill to repeal obsolete laws gets LS nod

EXPRESS NEWS SERVICE  
NEW DELHI, DECEMBER 8

DESPITE opposition by Congress and CPM, the Lok Sabha Monday passed a bill to repeal 90 obsolete laws with a voice-vote.

The Repealing and Amending (Second) Bill, 2014, is aimed at doing away with enactments that have ceased to be in force or have become obsolete, and at correcting formal defects in laws.

Leading the charge, former Law Minister M Veerappa Moily said instead of rushing through the Bill could have referred to the Standing Committee. "This could be taken up together with the report of the Standing Committee on those 35 enactments passed in the Monsoon Session," he added.

Warning against undue haste in passing this Bill, Moily said: "It is very risky. Sometimes, the law may be blind, but members cannot be blind. I think we need to make a serious exercise on a matter like this so that we do not regret for any mistake tomorrow."

"There may be certain lacunae and discrepancies if we are going to pass this Bill in a haste. Through this even the Constitution can be changed," CPM's A Sampath said. "I may be permitted to express my disagreement because as a member of that Standing Committee, I have to uphold the dignity of the House."

Replying to the discussion, Law Minister Sadanand Gowda said, "As far as this Bill is concerned, there are no principal Bills, only the amending Bills are taken into consideration. Hence, if there were any principal Acts, then what was suggested about referring this Bill to the Standing Committee, it would have had some value. But here, there is no principal Act. It is said by the Law Commission that these are obsolete and redundant and... should be taken away."



## Putin's visit may help iron out creases in Indo-Russian def ties

Rajat.Pandit@timesgroup.com

**New Delhi:** Russia remains extremely miffed with India for selecting French Rafale fighters and American Apache attack helicopters over its products but maintains that its recently inked military cooperation pact with Pakistan will not be "detrimental" to Indian security interests.

India, of course, is angry with Russia's move to lift an informal arms embargo and directly supply Mi-35 attack helicopters to Pakistan. "Russia is obviously getting back at us for increasingly turning to the US, France, Israel and others for weapon supplies. But we cannot put all our eggs in one basket," a defence official said.

Russian president Vladimir Putin's visit here on December 10 is expected to ease some heartburn between the two staunch allies.

Russian ambassador Alexander M Kadakin told reporters on Monday that the agreement with Pakistan did not envisage arms transfers to Islamabad in the immediate future. Dubbing India as his country's "closest friend and strategic partner", he said Moscow's growing relationship with Islamabad will not be at New Delhi's expense.

But the irritants are there for all to see. Russia, for instance, says Indian MiG fighters will only stop crashing when India stops buying "counterfeit (spare) parts" from Israel, Bulgaria and others. Even before IAF has completed its court of inquiry into the Sukhoi-30MKI's crash near Pune on October 14, Russia has blamed "pilot error" for it.

IAF chief Air Chief Marshal Arup Raha had initially stated that "automatic firing of ejection seats" could have led to the mishap. On Monday, an IAF officer said, "All technical issues to do with the seat ejection are still under examination."

Kadakin had earlier questioned

### DELHI-MOSCOW RELATIONS: NOT FIGHTING FIT

**The MiG Story** India opted for Russian MiG-21s in 1963 after US rebuff

- > Inducted over 1,200 MiG-21s, MiG-23s, MiG-25s, MiG-27s & MiG-29s
- > Navy inducting 45 MiG-29Ks for \$2 billion

#### The Sukhoi Story

India inked \$12 billion deal for 272 Sukhoi-30MKIs. Inducted 195 fighters till now

- > Fleet serviceability down to just 55% due to engine problems, poor maintenance & spares management

**The FGFA Story** India & Russia inked \$295 million preliminary design contract in December 2010

- > Final R&D contract delayed due to problems. India & Russia have to chip in \$5.5 billion each for it
- > IAF slated to induct jets from 2024-2025 onwards. India has asked Russia to compress timeframe
- > Total cost for India will be \$25 billion for 127 single-seat fighters

India's decision to go in for French jets for the yet-to-be-inked \$20 billion MMRCA (medium multi-role combat aircraft) project, holding the Rafales could be "swatted like mosquitoes on an August night" by the Russian-origin Sukhoi-27s being inducted by China. On Monday, he compared the Rafales to "beautifully-clad lady dragonflies" that can easily be squashed by Russian fighters.

Amid all this wrangling, both India and Russia are keen to seal the fifth-generation fighter aircraft (FGFA) project, the biggest ever defence programme between the two.

## No provision for CST compensation to States in additional expenses proposals

Government seeks Parliament nod to spend ₹12,529 crore more

OUR BUREAU

New Delhi, December 8

States and public sector oil marketing companies may not get their dues this fiscal as the Finance Ministry has not made any provision for compensation for phasing out Central Sales Tax and domestic LPG direct benefit transfer.

The first Supplementary Demands for Grants tabled in Parliament on Monday is silent on the two issues. However, the Ministry has promised that compensation will be provided as committed to States in the current fiscal.

In the first batch of Supplementary Demands for Grants,

the Government sought ₹12,529.48 crore more to meet the expenditure on fertiliser subsidy and subscription to international bodies.

### GST issue

Compensation to States is crucial for the implementation of the Goods and Services Tax (GST). Total dues of around ₹34,000 crore are to be paid for phasing out CST (a tax levied on inter-State trade which goes to Centre). The Centre and the States have agreed to pay out this compensation in three instalments, starting this fiscal.

"We will need to see the rev-

enue and expenditure trend in the next couple of months before seeking approval of Parliament for the payout," a senior Finance Ministry official told *BusinessLine*. He indicated that provision for the first instalment of ₹12,000-13,000 crore may be made in the next supplementary demands for grants.

### LPG Direct Benefit dues

The Supplementary Demands for Grants makes no mention of compensating the oil companies for domestic LPG direct benefit transfer. According to oil marketing companies, the Government owes them ₹1,500 crore. The companies were hopeful of getting this through the fresh demands for grants.



# Current account deficit widens to \$10.1 billion in second quarter

Special Correspondent

**MUMBAI:** India's current account deficit (CAD) increased to \$10.1 billion (2.1 per cent of GDP) in the second quarter of this fiscal from \$7.8 billion (1.7 per cent of GDP) in the preceding quarter and \$5.2 billion (1.2 per cent of GDP) in the same quarter of 2013-14.

"The increase in CAD was primarily on account of higher trade deficit, contributed by a deceleration in export growth and increase in imports," said the Reserve Bank of India (RBI) in a press release on Monday.

Recently, the RBI officials have stated that they are comfortable with the current level of CAD.

On balance of payments, (BoP) basis, merchandise export growth decelerated to 4.9 per cent in the second quarter from 11.9 per cent in same quarter in the previous year. However, merchandise imports increased by 8.1 per cent as against a decline of 4.8 per cent "largely due to a sharp rise in gold imports." Net services receipts improved by 3.4 per cent "on pick-up telecommunication, computer and information services from their level a year ago."

The net outflow on account



• The increase in CAD is primarily on account of higher trade deficit, contributed by a deceleration in export growth and increase in imports.

of primary income (profit, dividend and interest), amounting to \$6.9 billion in the second quarter, was higher than the corresponding quarter of 2013-14 (\$ 6.3 billion) as well as the preceding quarter (\$6.7 billion).

The RBI said net flows through foreign direct investment were stable; however, portfolio investment recorded inflows of \$9.8 billion as against an outflow of \$6.6 billion in the second quarter of 2013-14.

'Loans' (net) availed of by deposit-taking corporations (commercial banks) witnessed an outflow of \$4.6 billion in the second quarter of 2014-15 owing to higher repayments of overseas borrowings and a build-up of their overseas foreign currency assets.

Net inflows of NRI deposits at \$4.1 billion were lower in the second quarter than \$8.2 billion in the second quarter of 2013-14.

On a BoP basis, there was a

net accretion of \$6.9 billion to India's foreign exchange reserves in the second quarter of 2014-15 as against a draw-down of \$10.4 billion in the second quarter of 2013-14.

## Trade deficit

The RBI said that with a relatively higher growth in merchandise exports and marginal rise in merchandise imports, the trade deficit narrowed to \$73.2 billion during the quarter under reference from \$83.8 billion in first half of 2013-14.

"Lower trade deficit coupled with a marginal rise in net services receipts moderated CAD to \$17.9 billion in the first half of 2014-15 (1.9 per cent of GDP) from \$26.9 billion in the first half of 2013-14 (3.1 per cent of GDP)."

Net inflows under the capital and financial account (excluding change in foreign exchange reserves) rose to \$38.5 billion in the first half of 2014-15 from \$15.8 billion in the first half of 2013-14.

Lower CAD and rise in flows under financial account resulted in an accretion to India's foreign exchange reserve to the tune of \$18.1 billion in the first half of 2014-15 as against a draw-down of \$10.7 billion in the first half of 2013-14.



# Give us a chance: Modi to Kashmir

■ Invokes Vajpayee, promises to usher in development

Srinagar, Dec 8

**T**ELLING people of Kashmir that he wanted to share their pain and anguish, Prime Minister Narendra Modi on Monday sought "one chance" for BJP to rule and asked voters to rid the state of Congress and "two dynasties" of National Conference and PDP.

"What have you seen in Kashmir in the last 30 years? Either it was Congress government or father-son (National Conference) government or father-daughter (PDP) government. You have seen all three types of government.

"For themselves, they got everything but did nothing for you. Get rid of all three of them for once and give me one chance to serve you. I will make your dreams my own. I will put my entire government at your service," the Prime Minister said.

He said corruption had destroyed Jammu and Kashmir.

"Enough is enough... corruption has destroyed Jammu and Kashmir. Terrorism has ended but corruption has not. The biggest challenge we face is to end corruption. Unless corruption ends, the common man in Kashmir cannot progress," he said.



Prime Minister Narendra Modi with senior BJP leaders and assembly poll candidates during a campaign rally in Srinagar on Monday

In his 30-minute speech, Modi invoked Atal Bihari Vajpayee's concepts of communal harmony, humanity and democracy to share the pain of Kashmiris and promised to take the state to new heights of development.

"People of Kashmir have given me a lot of trust and love. I will repay this love and trust with interest in the form of development. I can

die for this love and trust showered on me," he said in his first election meeting in the Valley, that avoided any mention of controversial issues like abrogation of Article 370.

Wearing a traditional Kashmiri 'Pheran', Modi sought to strike a chord with the people saying, "I, as Pradhan Sevak, have come to share your pain and anguish. Your sorrow is my sorrow, your pain is my

pain, your problem is my problem. I have not come to take anything.

"People in the army and police have died so have the innocent youths. Their loss is irreparable and no one can compensate for it but sharing can reduce the pain."

Invoking Vajpayee's famous 2003 speech at the same venue, Modi said, "Vajpayee made a good beginning. I have come to carry this for-

ward. It is my duty to carry forward and fulfil his dreams of Insaniyat, Kashmiriyat and Jamhooriyat (democracy) which are the three pillars that can turn around Kashmir in the 21st century on the path of development." Earlier speaking in Samba in Jammu region, Modi said a finger pressed on an EVM is more powerful than the one on an AK-47 trigger.

PTI

Date 9/12/14  
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# Modi plays development card in J-K, mum on Art 370

ARUN JOSHI  
TRIBUNE NEWS SERVICE

SRINAGAR, DECEMBER 8

Prime Minister Narendra Modi on Monday embarked on a journey to befriend Kashmir and end the political hostility that exists between the BJP and Kashmir at his first ever election rally here. The PM sought to share the pain of the "loss of sons of Kashmir", promised justice and pledged to scale new heights of development in the "most beautiful place in India."

The Prime Minister held two rallies where the common theme of his speeches was development, employment and an appeal for a decisive mandate for the BJP to end the Congress, National Conference and Peoples Democratic Party's rule in the state. Yet, there were different political and emotion-



“The youth in Kashmir were tired of the weight of the AK-47 and wanted to shed it for Android that has empowered them”

Narendra Modi, PM

al strokes at the two venues.

In Jammu, Modi decried its neglect, hailed its patriotic people and focused on the pride and prestige of the region. In Srinagar, his tone and tenor was purely Valley-centric — Kashmiris have suffered a lot and now they

needed to be steered out of their distress. That, he said, would come by the way of justice that he would deliver if the BJP is voted to power.

Modi brought the message of friendship to Kashmir by wearing a “pheran” (a loose robe that is identified with Kashmir) and credited himself with making the Army admit to its mistake in the November 3 killing of two youths in Budgam.

“This is for the first time in 30 years that the Army has admitted to a mistake and a case has been registered. I am here to provide you justice and I need your cooperation”, said the Prime Minister. He went on to say “Kashmir has lost its sons. The blood of every son is very valuable and here I am to share your pain and anguish.”

## Vaiko's MDMK snaps ties with NDA, hits out at Modi govt

VIBHA SHARMA  
TRIBUNE NEWS SERVICE

NEW DELHI, DECEMBER 8

The BJP's Tamil Nadu partner — Marumalarchi Dravida Munnetra Kazhagam (MDMK)-led by Vaiko — today quit the National Democratic Alliance (NDA), accusing the Modi government of acting "against interests of the Tamils and betraying the people of the state".

Rejecting the allegations, the BJP called the decision "unfortunate" but dismissed any impact over its prospects in South.

At a meeting in Chennai, the MDMK today adopted a unanimous resolution to snap ties with the NDA, which it had joined before the Lok Sabha polls along with five other state parties.



Vaiko

### The reasons

The NDA's TN ally cites Modi-Rajapaksa bonhomie, sanskritisation of education and Centre's inaction over the state's water rights as the reasons to leave the alliance

The resolution condemned the PM for wishing Sri Lankan President Mahinda Rajapaksa's victory in the elections. "The BJP has been acting against Tamils. Modi wished Mahinda Rajapaksa for the elections (there). The Modi government is silent on Subramanian Swamy's proposal for Bharat Ratna for Rajapaksa," the resolution stated.

The MDMK further claimed that it had stressed during the alliance formation that India should not support Sri Lanka, which all BJP leaders had then accepted.

Criticising the BJP's efforts on "sanskritisation of education", the MDMK also termed the release of five fishermen who were saved from death sentence following pardon granted by Rajapaksa a "drama" and accused the Centre of not solving the fishermen issue.

The party alleged that the Modi government had given permission for review of the Mullaiperiyar Dam water level and "betrayed" the people of Tamil Nadu and also not acted in favour of people of Tamil Nadu in the Cauvery water issue.



## MDMK snaps ties with Modi-led NDA

**Chennai:** Charging Prime Minister Narendra Modi-led BJP government with betraying Tamil people by working with Sri Lankan government and pushing its Hindutva agenda in Tamil Nadu, Vaiko-led MDMK on Monday quit the NDA.

MDMK's decision comes days before BJP president Amit Shah is scheduled to visit the state on a two-day trip aimed at strengthening the party. Addressing media, Vaiko showered praises on the Vajpayee-led NDA government remarking, "Modi's BJP government is different from Vajpayee's BJP government."

MDMK's decision also comes at a time when BJP men had called for the ouster of Vaiko's party in the wake of his criticism of Modi and his government. "We are very happy to quit the NDA. But we have no regret to join the alliance. We took the decision to join NDA hoping they would work for the interests of Tamils. But they betrayed us," Vaiko said. en



# New PlanCom might alter focus, structure of Centre's schemes

Schemes are proposed to become an amalgam of priorities laid down by states

SANJEEB MUKHERJEE  
New Delhi, 8 December

The new body to replace the five-decade-old Planning Commission is expected to be structurally different from the existing one. It could bring about a fundamental change in the manner central government schemes are devised and implemented in India.

If the presentation made by the Commission to the chief ministers is followed in letter and spirit, central sector and sponsored schemes will no longer be the domain of central ministries alone. Instead, these would be an amalgam of priorities laid down by state governments, which, in turn, would also have the powers to tinker with the schemes according to their local needs. Whether or not this would signal death of central schemes remains to be seen.

Simply put, a Grameen Sadak Yojana or a rural drinking water programme, for instance, might either get scrapped or reformed, if state governments unanimously say such a focus is no longer required.

So far, central schemes were primarily designed by the Planning Commission in consultation with line ministries and in keeping with the priorities of the ruling party of the time. So, a National



Prime Minister Narendra Modi (left) with Finance Minister Arun Jaitley (right) at a meeting on the Planning Commission's revamp, in New Delhi on Sunday

PHOTO: PTI

## THE NEW PLAN

How schemes will be conceptualised and implemented in the new set-up, according to a presentation made by Planning Commission Secretary Sindhu Shree Khullar:

- Overall scheme priorities may be agreed by consensus in a meeting between the Prime Minister and Council of chief ministers
- Based on the agreed priorities, a basket of schemes may be finalised in consultation with the ministries
- States may decide to seek assistance under selected schemes that are relevant to their strengths, potential and needs
- In partnership with the ministries concerned, scheme design to be tailored to the state's requirement to achieve the agreed outcomes

Rural Employment Guarantee Scheme (NREGS), for instance, came to reflect the priorities of the Congress-led government at the Centre then, irrespective of whether or not all states benefited from it.

If the proposed changes

are implemented, it will be the state governments that will decide if the current model of NREGS is uniformly suitable for all states.

Problems between the Centre and states over Central schemes, first identified in 1998, got further entrenched

into the system over subsequent years. It was felt transferring funds to state treasuries for implementing central schemes was not yielding the desired result, as the treasuries were in a mess in most states and the transferred funds more often met only the salary needs.

Around 10 years ago, a mechanism was devised for Central schemes through which funds from the central government flowed directly to societies or panchayats, under overall supervision of the local administration, bypassing state treasuries. After state governments repeatedly raised concerns over this, it was decided at one of the National Development Council meetings that funds allocated for central schemes would be transferred to state treasuries. The plan finally got implemented in the interim Budget for the current financial year.

Another set of problems in Central schemes arose with states complaining the schemes were too rigid and their priorities were not in tune with the needs of the state concerned, and reflected only the vision of the central government. For instance, Gujarat complained it had built adequate number of rural roads, so the funds allocated to it under the Gram Sadak Yojana was of no use it;

instead, it required funds for drinking water projects.

However, because of the rigid nature of central schemes, funds allocated for rural roads were not allowed to be spent on drinking water. Also, there was little operational flexibility within the schemes, which states resisted. "If we take the example of the Gram Sadak Yojana, it says funds will be allocated if roads of certain width are built. Now, states in the Northeast have always complained this has little relevance for them as they cannot build wide roads because of the terrain," a senior official said.

Former member-secretary of the Planning Commission, Sudha Pillai, said the mechanism for consultation with the states has been grossly inadequate.

"The Planning Commission also remained a central government organisation. This will change for the better. One important difference among states is the presence or absence of a healthy resource base. This aspect has to be factored in while discussing a differentiated approach. The new body should structurally be able to do so," she told *Business Standard*.

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## State to state

Sunday's retreat pointed the way to making the slogan of 'cooperative federalism' more meaningful

**O**N THE sidelines of his high-profile meeting with state chief ministers on Sunday to discuss the restructuring of the Planning Commission, Prime Minister Narendra Modi hosted an "agenda-less" retreat. Here, six chief ministers, cutting across party lines, were invited to make presentations on their successful development programmes. While the process to chisel and sculpt the new plan panel is now formally underway, the retreat has pointed to another project that must also be taken forward — the enlarging and deepening of inter-state sharing and exchange. Increasingly, states are becoming the primary locale of development schemes, initiatives, and models. Overall, they spend 40 per cent more than the Union government, and three, five and six times as much on rural infrastructure, education and healthcare, respectively. While states' spending has been growing at 17 per cent a year for the last four fiscals, the Centre's has been increasing by only 8 per cent. In this context, a regular and institutionalised inter-state idea exchange could be said to be long overdue.

As a party, the BJP was quick to see the benefits of such exchange between chief ministers of BJP-ruled states, encouraging, for instance, the sharing of best practices between them at its national executive meetings. Elsewhere, too, beneath the radar, inter-state learning has, hearteningly, been an ongoing process, in many cases defying political cleavages. Bihar's ambitious Right to Public Services Act, 2011,

drew heavily from Madhya Pradesh's Public Services Guarantee Act, 2010. Rajasthan's service-delivery guarantee borrowed from the Bihar bill. The Centre has also taken inspiration from the states — Tamil Nadu's mid-day meal scheme, launched in 1982, was picked up by the Union government. Maharashtra's employment guarantee scheme, 1977, preceded and contributed to the MGNREGA. Lessons can also be learnt from the fact that different states have shown different degrees of success in the implementation of Central schemes. Tamil Nadu stands out for its administration of the MGNREGA and Jharkhand has made significant headway in improving health indicators by its implementation of the National Rural Health Mission. On Sunday, while Karnataka Chief Minister Siddaramaiah reportedly spoke of the application of technology in governance (the "Bangalore One" citizen-services portal is hugely successful), Odisha Chief Minister Naveen Patnaik dwelt on his experiences with disaster management.

The process that was begun at the Sunday retreat in the capital must spread out beyond it. It could find a formal forum, perhaps, in the National Development Council or the Inter-State Council — though that would mean reviving these sleepy institutions first. Or it could be hosted by the revamped plan panel. Giving inter-state exchanges momentum and regularity would be the best way to lend meaning to the Modi government's slogan of "cooperative federalism".



## REPLACING THE PLANNING COMMISSION

# Now, finance panel may allocate funds

Over Rs 3 lakh cr was allotted to States by plan panel for various schemes

Smita Gupta & Puja Mehra

**NEW DELHI:** In the aftermath of the scrapping of the Planning Commission, the Modi Government is mulling whether the role of allocating plan funds across States can be given to the Finance Commission. It would like the new body that will replace the Planning Commission to be a 'think-tank in the era of liberalisation' that could possibly be merged with the National Development Council (NDC), said a Government source.

The NDC is the highest development policy planning body, comprising the Prime Minister, Union Cabinet Ministers, State Chief Ministers and State Finance Ministers.

The Modi Government scrapped the Planning Commission on August 13 through

## CHANGE ON THE CARDS

CENTRE MULLS FUNDS TRANSFER POWERS FOR FINANCE COMMISSION

- Finance Commission, a Constitutional body, will have to be made a permanent body by amending the Constitution
- Centre transfers about 2 per cent of GDP from its tax revenue to States for Centrally Sponsored Schemes
- Modi Government may reduce the total number of schemes to 10 from the current 60-plus

a Cabinet decision. Till then, the Centre had transferred to States in excess of Rs 3,00,000 crore, or 2.5 per cent of GDP, annually through the Planning Commission. The mechanism for the transfers was two-fold. States received funds for Centrally Sponsored Schemes. They also received Central Assistance for their plans. Each State's share was arrived at following discussions between the Planning Commission, Finance Minis-

try and the State Government in the case of Central Assistance.

For Centrally Sponsored Schemes, the individual State shares were determined through discussions between the Planning Commission, States and Union Ministries such as Health and Rural Development.

The Modi Government is also considering reducing the total number of Centrally Sponsored Schemes to 10 from the current 60 plus. The

Centre may not prescribe in detail how States should spend the funds it allocates to them. There could be some broad categories such as health and education, indicated Telangana Chief Minister K Chandrasekhara Rao.

The Finance Commission is a Constitutional body that is appointed once every five years to recommend a formula for devolving the Centre's tax revenues to States. The Centre transfers about 2 per cent of GDP to States from its tax revenue. For the Finance Commission to determine and allocate development funds to States, it will have to be a permanent body. For this the Modi Government could have to amend the Constitution, said a former Planning Commission member.



## Power and responsibility

*Winding up the Planning Commission must accompany empowering the States with greater financial autonomy*

**A**lthough a majority of State chief ministers have supported Prime Minister Narendra Modi's bid to wind up the Planning Commission, a consensus has failed to emerge. Partisan politics was responsible for this to some extent, but there was a core issue between the Centre and the States that remained unaddressed — resource allocation. The objections raised were not so much about the need for planning *per se*, but rather to do with the largely unilateral setting of priorities, and more importantly, the allocation of resources towards achieving the set goals. There is little quarrel with the broad goals of the planning process itself — of creating physical infrastructure and improving human and social development indicators. The germane issue is about the micromanagement of the decision-making process, where questions of what, how much, by when and where such capacity is created, is decided at the central level. This clearly flies in the face of the federal structure envisaged in the Constitution, and reduces both the States and the central ministries to mere implementers.

Clearly, such Soviet-style centralised planning and resource allocation is irrelevant in a liberalised market economy, where private investment is the key driver and States compete with each other to attract such investments. Besides, half a century of 'planned development' has not been effective in ironing out developmental inequalities, and it stands to reason that different States will have different needs and priorities at any given point of time. So, while a Bihar might feel that creating power generation capacity and building connectivity might be its top priorities, a developed City-State like Delhi might want to focus on building better social infrastructure. A one-size-fits-all approach is simply unworkable, some-

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thing Finance Minister Arun Jaitley himself acknowledged after the meeting. It is, therefore, no surprise that most State chief ministers want the powers of the Planning Commission to be transferred to the Inter-States Council.

That this has not already happened is because States want not just responsibility, but power as well. While what share States get of central revenue receipts has been decided by the Finance Commission, the actual allocation was largely controlled by the Planning Commission, with the resources channelled through the Union Budget, which is under the control of the Centre. Past governments have been reluctant to let go of this power, which is one of the reasons why the Union Budget occupies the larger than life space that it does in the Indian economy. The need of the hour is to work out a reasonable and workable compromise. After all, the government at the Centre is elected on the basis of its vision for the country it presents to the electorate, and it is only reasonable that it has both the policy-making as well as the financial muscle to deliver on that vision. At the same time, the Centre also needs to remember that governments at the State level are also elected and needs to walk the talk on an empowered federal structure.



Editorial

9/12/14

The Economic Times

## How to Revamp the Planning Commission

Let the Centre stop borrowing for the states

The Planning Commission itself has been working on changing with the times, for some time. It has been pruning and merging centrally-sponsored schemes, focusing on scenario building and incentive funds for good economic conduct, such as in the power sector, rather than on sectoral allocations. But all this has not fundamentally changed the nature of the commission as an overlord of central funds whom the states resent but must heed if they want those funds. The way to radically overhaul the Planning Commission is for central funds to devolve to the states almost entirely through the Finance Commission mechanism, instead of half the funds going through the Planning Commission as of now.

In the kind of federal autonomy that the states seem to desire, there is no room for the Centre to borrow just for lending on to the states. The states have their areas of constitutionally given responsibility and sources of revenue, soon to be supplemented and fortified with a goods



and services tax. If they want to finance projects they cannot fund with their own resources, including the central devolutions that are their due, they have the freedom to tap the bond market. The states cannot expect the Centre to borrow money and pass it on to them without asking questions about

how the money would be spent and later monitoring compliance with stated intent. The best way to end such central intrusion into federal autonomy is to end central Plan assistance out of borrowed funds. Non-borrowed resources will be devolved through the Finance Commission, in any case.

Once the commission divests itself of the function of allocating Plan funds across states and schemes and subsequent monitoring, it can focus on creating long-term policies for different sectors of the economy and drawing up alternative frameworks in which these policies find coherence. The task of constantly suggesting updates for regulatory frameworks for different sectors can also be performed by the agency. Let it become a think tank, and stop being an ATM for the states.



Editorial

The Hindu

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## Unanswered questions

**T**he key takeaway from the meeting that Prime Minister Narendra Modi had with State Chief Ministers to discuss the contours of the new body that will replace the Planning Commission was this: that power and planning should be decentralised and States should be empowered to plan, design and manage schemes based on what fits them best. This is a point on which consensus appeared to have emerged even as the Chief Ministers diverged along party lines over whether the existing body should be revamped or be replaced with a new one. The decision to offer a greater say to States in planning and managing schemes seems to have been born from Mr. Modi's own experience as Gujarat Chief Minister when he made presentations to the Plan panel and felt the need for a better platform to articulate the views of his State. In line with this consensus, Chief Ministers would be included in the body on a rotational basis to give it a federal character. Mr. Modi's remark on 'bottom to top' planning is a comment on how New Delhi cannot tailor the development plans of States as each State has unique needs and problems. A second point that appeared to have gained recognition was that expertise and knowledge resided as much outside the government, if not more so, and that these needed to be tapped by roping in the private sector into the new body.

There is, however, not much clarity on the traditional role of the Planning Commission, including its job of sitting in on expenditure committee meetings. Will it mean the end of the planning process itself? If not, who will formulate and monitor the annual and five year plans as the Commission was doing? Sunday's meeting also failed to tackle the issue of who will allocate and transfer funds from the Centre to the States for Centrally-sponsored and Plan schemes, with Finance Minister Arun Jaitley stating that further consultations would be held on this issue. The Planning Commission has also been a veritable think-tank producing studies and policy reports that different Ministries relied upon in their decision-making. The body was staffed largely by academics and bureaucrats at the top, and an attempt to enlist expertise from the business sector did not go very far. If the new body has to be a public-private think-tank, as the Prime Minister seems to want it to be, it should have the ability to attract top-drawer talent and also network with research bodies and universities in India and abroad. Interestingly, unlike the existing Planning Commission, the new body is likely to have a statutory role, giving greater weight to its functions and powers. At this stage, many unanswered questions remain, and a great deal more of conceptual thought needs to go into the making of the new body that is to come into being by the end of January.