National planning is a process of setting national targets, and preparing programmes and policies that will help achieve those targets. The policies and programmes must be consistent with each other, ensure optimal use of national resources both financial and real, and be based on an understanding of the response of the economy to these interventions. This exercise has become more complex over time for several reasons. First, the setting of targets is not just a technocratic process. It must reflect the aspirations of an increasingly aware public and a vocal civil society to command the broadest possible social and political support. Second, the strategies outlined by the plan must reflect the growing complexity and maturity of the economy, including its growing integration with the rest of the world, and the changing role of the public and private sectors. Finally, plan strategies are only as good as our ability to implement them and therefore implementation capability is very important.

The Twelfth Five Year Plan has been formulated keeping all these factors in mind. Some reflections on each of these three aspects are offered in this preface.

The Multi-Dimensional Nature of Plan Targets

Traditionally, public discussion of plan targets has tended to focus narrowly on targets for GDP growth, leading to the criticism that planners are obsessed with economic growth as an end in itself. This has never been true of Indian plans, and it is certainly not true of the Twelfth Plan. Our plans have consistently emphasised that higher rates of growth of GDP are a necessary, but not a sufficient condition for raising the living standards of the population as a whole. The Twelfth Plan is firmly anchored in this tradition. Rapid growth is viewed as a necessary condition because it ensures an expansion in the productive capacity of the economy without which a broad based improvement in living standards is not possible. However, it recognises that faster growth is not a sufficient condition simply because one can easily imagine a growth process which may not be sufficiently inclusive to ensure a spread of benefits to the mass of the population. For example, any growth process which ignores agriculture will miss out on opportunities to improve incomes for a large part of the population. Hence the Twelfth Plan target of accelerating GDP growth is accompanied by a specific target to accelerate growth of agricultural GDP. The Twelfth Plan aims at catalyzing a growth process which has the structural characteristics that will promote inclusiveness. The Eleventh Plan started the process of accelerating agricultural growth by achieving 3.6 percent growth component with 2.4 percent in the Tenth. The Twelfth Plan aims at accelerating agricultural growth further to 4 percent.

The proportion of the population depending mainly on agriculture has been falling, but it is still too large, given the shrinking contribution of agriculture as a percentage of GDP. We must therefore plan for a substantial percentage of those
currently engaged in agriculture to shift to higher productivity non-agricultural occupations. This can only happen if the non-agricultural sector can provide gainful employment not only to the growing number of people who will be entering the labour force, but those moving out of agriculture. To be truly inclusive the growth process must therefore be job creating. A growth based on growth from highly capital intensive sectors areas such as petrochemicals, steel, mining, etc., or one that is dependent on high end skills, e.g., software development, information technology etc. cannot provide a sufficient expansion in employment to the large numbers of the labour force with mid level skills who need better employment opportunities. This calls for robust growth in the manufacturing sector, including especially in small and medium enterprises. The Twelfth Plan therefore seeks to achieve a faster growth in manufacturing, with particular emphasis on the medium, small and micro enterprises, which provide the best scope for absorbing labour currently employed in low productivity occupations.

An employment generating growth process will generate a broad based growth of incomes, but this by itself does not assure the achievement of other important targets in terms of access to education, health, sanitation and clean drinking water. These are not only essential elements of welfare, but also for ensuring a healthy and productive labour force, which raises medium term growth capacity. The Twelfth Plan places special emphasis on expanding access to these services and views it as a critical role of government in the development process.

The private sector now has a demonstrable capability to invest in and stimulate growth in many areas of the economy and public sector initiatives in these areas are therefore no longer necessary. However, the provision of education, health and essential services for the bulk of the population has to be the responsibility of the State. Thus, while the state should withdraw from areas where the private sector is able to deliver well, this does amount to advocating a reduction in the role of the State: what is needed is a restructuring in the role of the State, reducing its role in some areas but increasing it in others.

The objective of inclusiveness also calls for pro-active intervention to bridge the many "divides" which segment our society. The Plan must retain its traditional focus on reducing poverty - an area where the results in the Eleventh Plan have been heartening. It must also focus on promoting productive employment to meet the aspirations of youth. It must ensure upliftment of specific groups such as the SCs/STs/OBCs, minorities and other marginalised groups that suffer from historical exclusion. It must systematically close the gender gap which is a blot on our social structure. It must also ensure balanced development of all the regions. Finally it must ensure that the growth strategy is consistent with sustainability concerns which are now gaining importance.

These multi-dimensional objectives are reflected in the adoption of 25 monitorable targets in the Twelfth Plan of which growth of GDP is only one. The other targets cover the many features of development which measure inclusiveness and sustainability. Individual states have also been encouraged to set state specific tar-gets in the same areas.

**Participation in Planning**

The process of fixing Plan targets and also defining Plan strategies can no longer be viewed as purely technical functions. There is a widespread desire on the part of many stakeholders to participate in the process. The Planning Commission has
therefore consulted widely not only with the Central Ministries and State Governments, but also with sector experts, economists, sociologists, political scientists and civil society organisations. About 146 Working Groups were established under the chairmanship of Secretary of the Ministry concerned, and included sector experts from within and outside the Government. Their reports were reviewed by a steering Group chaired by the respective Member of the Planning Commission. Each steering group included representatives of different Ministries, non government experts and other stakeholders. The reports of the steering groups were used as inputs into the Plan formulation, and the reports are also available on the website of the Planning Commission.

Regional meetings were held with Chief Ministers of groups of states to get the views of State Governments. These regional meetings were also used for interacting with the civil society groups. As many as 900 civil society organisations have been consulted in various ways.

A radical departure from the past was the use of social media on various aspects of the Plan, and also as a form of outreach. The Planning Commission organized several events to increase awareness of the planning process amongst the youth. During a Google Hangout, which was widely telecast on television, senior officials from the Commission answered a variety of questions taken live from social media users, on topics such as governance, industrialization, agriculture, infrastructure, and even the relevance of the Planning Commission itself.

Subsequently, over a thousand young students and professionals came together in ten locations across the country to 'Hack' the Twelfth Plan, and develop creative ways of communicating its message to the public. These initiatives reflect Planning Commission's sincere desire to engage more directly with the stakeholders. More broadly, they are part of an evolution of the Planning Commission itself, as it strives to become an 'exercise in persuasion'.

**The Role of Programmes**

Traditionally, our Plans have been viewed as synonymous with the collection of government programmes designed to promote one or other plan objective. There is much interest in this context in the total size of the Plan, and the allocation of financial resources to different sectors and programmes. There is not enough focus on the role of policies in achieving plan objectives by influencing the decisions taken by the households and firms and this issue is discussed in the next section.

The Twelfth Plan relies on an extensive range of government programmes, which cover a wide variety of sectors, to help achieve the inclusive and sustainable growth. There are programmes in health, education, drinking water and sanitation, provision of critical infrastructure in rural and urban areas, programmes of livelihood support for the weaker sections and special programmes for the historically disadvantaged sections of our population, particularly the Scheduled Castes, Scheduled Tribes, OBCs, Minorities, and other marginalised groups. Plan programmes can be classified into three groups. There are central sector programmes, administered directly by agencies of the central government. There are state sector programmes, administered by state agencies, which form part of the State Plan. There are also Centrally Sponsored Schemes (CSS), operating in areas that are, constitutionally the domain of the States, but the Central Government provides resources to the states to support
these programmes while the programmes themselves are implemented by the State Government and its agencies.

This public sector component of our development effort, taking the Centre and the States together, amounts to about 12 percent of GDP. About half of this takes the form of capital expenditure or investment, with the rest is accounted for salaries for the delivery of services, or pure transfers, as in the case of provision of resources for mid day meals for school children or nutrition for pre school children; scholarships for disadvantaged groups, pensions for the poor, etc. Economists have traditionally focused on investment, as a key driver of growth, but once it is recognized that access to essential services such as, health, education, and nutritional support for children are critical contributors to growth in the medium term, it is obvious that non investment expenditures in the sectors are critical to achieve access.

While these programmes are important, it is important to recognise that merely expanding expenditure in these programmes will not necessarily achieve the objectives of the Plan. We also need to look beyond expenditures, at the outcomes achieved. This calls for rigorous and independent evaluations of the effectiveness of our programmes in achieving the desired outcomes and an analysis of why they fall short. A common explanation of why results have fallen short of expectations is that the programmes are underfunded. This is often true but there are also problems because of design flaws, and shortcomings in implementation capacity at the ground level which needs to be remedied to improve outcomes. Both the Centre and the States should under-take such evaluations systematically, and especially, at the end of each Plan period.

The Role of Policy Restructuring

Along with programmes, the policy content of the Plan deserves much greater attention than it typically gets. In an economy in which the private sector has grown in scale, decisions taken by individuals and firms deter-mine many critical economic outcomes, and the policies which influence these decisions are therefore important. This is especially so since private investment by farmers, unorganised enterprises and the corporate sector, accounts for 75 percent of total investment in the economy.

One aspect of policy emphasised in the Prime Minister's Foreword, is the achievement of a sound macro-economic framework. This essentially boils down to having a reasonable fiscal deficit, a financeable cur-rent account deficit, a moderate rate of inflation and high rates of domestic savings. The Twelfth Plan has commenced at a time when there are weaknesses in these areas but it outlines a macro economic strategy for correction. Success in these efforts will be critical to creating an environment in which the high levels of investment and capital inflows needed for high growth can materialise.

In addition to policies for macro-economic stability, policy restructuring is needed in many sectors if we are to make progress towards achieving Plan objectives. The Plan document outlines an ambitious agenda for policy change. This includes policies aimed at supporting the diversification of agriculture, and greater involvement of the private sector in marketing agricultural produce. It also includes policies related to energy pricing, and greater involvement of the private sector in exploration and development of primary energy sources. Industrial growth can be greatly helped by policies aimed at improving the ease
of doing business, and also, policies that would encourage a flow of both risk capital and debt into small and medium industries. Rationalisation of tax policies, including especially, the introduction of GST, is another very important area, as is the rationalisation of subsidy policy to progressively reduce dysfunctional subsidies, and make essential subsidies better targeted through the use of Aadhar. The Plan emphasises the need to design policies regarding the efficient use of water through a combination of regulation and appropriate pricing. These policies will have to be supported by well designed public investment to encourage effective conservation of water. Policies for effective management of urbanisation are increasingly important and this is a new challenge facing the economy.

Since the total resources available to the Government is limited, and there are heavy demands on such resources from sectors such as health and education, there is an obvious need to leverage private resources to achieve public ends. This is particularly important in the area of infrastructure development where it leads to some important policy departures. One such departure is the adoption in the Eleventh Plan of Public Private Partnership as a strategy for developing infrastructure.

Traditionally, infrastructure used to be created by the public sector but increasingly, all over the world, countries have experimented with different forms of public private partnership, particularly in situations where users are willing to pay a user charge which generates a potential revenue stream. Emphasising PPPs where possible, does not imply a blind pursuit of PPPs as the only means of implementing infrastructure projects. Private investors are unlikely to be interested in investing in the remoter or more backward parts of the country and the development of infrastructure in these parts will have to rely dominantly on public investment. However it is possible to follow the PPP option for many projects in roads, airports, ports, power generation and distribution, etc. The Central Government has evolved procedures and bidding documents which seek to achieve the objectives of transparency and robust competitive bidding for PPP projects and has encouraged state Governments to proceed on the same basis.

Both the Central Government and many State Governments have embarked on ambitious programmes of developing infrastructure through PPPs. As a result, India now has the largest number of PPP projects of all emerging market countries. However, as the number of PPP projects expands, there will be unexpected problems in the course of implementation. Both the Centre and the States must evolve mechanisms to monitor PPP projects closely to ensure that they come up to the expected standards of service delivery and also to identify problems in project implementation so that these can be resolved as speedily as possible in a fair and transparent manner.

Many of the policies on the policy agenda outlined in the Plan lie in the domain of the Central Government but many also lie in the domain of the States. Some, such as the implementation of the GST, which is an extremely important initiative, depend upon joint action, since it involves a constitutional amendment. States are likely to differ in the speed at which they implement policy changes recommended in different areas since action in some areas may be easier for a particular State than in others. However a substantial effort in the broad directions indicated in the Plan, will have a significant effect on outcomes and experience of success in some States will encourage others to follow suit.
Implementation is the Key

The success of any Plan depends heavily on the quality of implementation, and it is here that our planning process is perhaps the weakest. It is often said that our plans are very good, but implementation is poor. This is actually a contradiction. Planning can only be called good if it is based on a realistic assessment of what can be implemented, with concrete proposals to increase implementation capacity as part of the strategy.

As far as Plan programmes are concerned, it is often said that the programmes are inadequately funded, and such funds as are available are often not well spent. Some element of under funding is unavoidable because resources are calculated on the basis of likely growth of revenue, which depends on the overall growth of the economy. When growth falls short of the targets, resources are also likely to be lower than projected. The solution lies in clearer prioritisation, so that shortfalls in resources do not lead to proportional under funding of all programmes but rather that the least productive programmes are scaled back. An important pre-condition for implementing this approach is a candid assessment of what are the most effective programmes based on periodic independent evaluation and constant concurrent evaluation. The role of evaluation needs to be greatly strengthened in our planning process. The Planning Commission has created a new mechanism with an Independent Evaluation Office headed by a Director General at the level of Member of the Planning Commission.

One reason why implementation is poor is that the capacity to implement is lacking at the operational level. Development programmes, in areas that have constitutionally been devolved to the Panchayati Raj Institutions, or Urban Local Bodies, should be implemented with these institutions playing a major role, both in the design of the programme, and its actual implementation on the ground. Unfortunately, although States have generally devolved "functions" to the PRI institutions, they have done much less to devolve "funds". In many cases, even the devolution of "functionaries" to the level needed for effectiveness has not really taken place. The PRIs also lack the capacity to design, implement, and monitor programmes. This is true not only for the Panchayats in rural areas, but also for urban local bodies, as revealed by the experience of the JNNURM. The Twelfth Plan, therefore, provides for a portion of the funds in many programmes to be used to build implementation capacity. A new Centrally Sponsored Scheme for strengthening the capacity of the Panchayats, the Rajiv Gandhi Panchayat Shashaktikaran Abhiyan has also been introduced.

A major new initiative taken in the Twelfth Plan, to improve implementation of the Centrally Sponsored Schemes is to rationalise the number of the CSS, reducing them from 142 to 66, and also permitting greater flexibility in the guidelines. Recognising the fact that "one size fits all" national guidelines do not take into account the characteristics of different States, which justifies a differentiated approach, a new system has been introduced with two major changes. First, each state will be able to propose modifications in the national guidelines to suit the particular circumstances of the state. Second, each state will be allowed full flexibility for ten percent of its allocation under each scheme, which can be used for projects, which depart even from the modified state specific guidelines. The only requirement will be that the project must be within the broad objectives of the scheme. This is designed to encourage innovation at the state level.
Problems of implementation also arise in implementing the policy agenda of the Plan. Progress in this are often suffers from a lack of understanding of the need for policy change and the pressure of vested interests. And yet, effective implementation of these policy changes is critical to achieve the productivity increases which are essential for achieving high growth. The mid term review of the Twelfth Plan should focus specifically on the success achieved in this dimension. An assessment should be made of success achieved by the Centre, in implementing the policy restructuring envisaged with a parallel exercise for each State.

**Scenario Analysis**

An important innovation in the Twelfth Plan is the recourse to scenario analysis. Instead of adopting a set of notional targets, and outlining what is necessary to achieve them, the Plan outlines three scenarios. The first is the scenario in which we are able to achieve highly substantial implementation of the programmes and policies outlined in the Plan. This is a scenario of "strong inclusive growth", which would yield an average growth rate of around 8 percent in the Plan period, and would also be sufficiently inclusive to show significant progress in each of the 25 monitorable indicators, which reflect the multi-dimensionality of targets that have been fixed for the Twelfth Plan. This is clearly the outcome we should aim at.

However, the Plan also notes, that although technically feasible, Scenario 1 is by no means an assured out-come. Success will depend on our ability to fund Plan programmes on the scale envisaged, while maintaining macro economic stability, and also implementing the broad ranging policy changes, which are needed to achieve higher levels of productivity and the investment needed. If this agenda is only partially implemented the economy will progress as in Scenario 2, with growth around 6.0 percent and much low levels of inclusiveness. The Plan also indicates the consequences of failing to make any significant progress by outlining a Scenario 3 called Policy Logjam. In this case, the growth rate could fall to around 5 percent with very little progress on the inclusiveness agenda.

The requirements for achieving the Twelfth Plan’s Scenario-1 are extremely demanding, especially at a time when the external environment is highly uncertain. However, these difficulties affecting the first two years of the Plan should be viewed as a short term impediment. With determined effort to correct macro-economic imbalances, and to achieve effective implementation of both the programmes and sectoral policies outlined in the Plan, there is a good chance of bringing the economy back to an 8 percent growth path, which is warranted by the underlying fundamentals. As the Plan points out, it is difficult, but not impossible. With a strong national effort, we should be able to put the economy on a path which achieves the transition we all want.

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