

# **FUNCTIONS AND STRUCTURE OF THE PLANNING COMMISSION ( IN BRIEF )**

Planning Commission was set up in March, 1950. A copy of the Resolution of Government of India has been given in Unit I of this document. The following are the tasks assigned to the Commission:-

- (i) To make an assessment of the material, capital and human resources of the country, including technical personnel and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;
- (ii) To formulate a Plan for the most effective and balanced utilisation of the country's resources;
- (iii) On determination of priorities, to define the stages in which the Plan should be carried out and propose the allocation of resources for due completion of each stage.
- (iv) To indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan;
- (v) To determine the nature of machinery which will be necessary for securing successful implementation of each stage of the Plan in all its aspects;
- (vi) To appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend for

adjustments of policy and measures that such appraisal may show to be necessary; and

- (vii) To make such interim or ancillary recommendations as appear to it be appropriate either for facilitating the discharge of the duties assigned to it; or, on a consideration of the prevailing economic conditions, current policies, measures and development programmes; or on an examination of such specific problems as may be referred to it for advice by Central or State Governments.

2. Besides, the Government of India (Allocation of Business) Rules have assigned responsibilities to the Planning Commission in respect of (a) Public co-operation in National development (b) Hill area development programme (except in the North Eastern Region), and (c) Institute of Applied Manpower Research. The relevant extracts containing entries pertaining to the Planning Commission from these Rules have been given in Unit I of this document.

3. The present composition of the Commission has been given in Unit I of the document.

4. The day to day working of the Commission is carried out on a collective responsibility. However, for convenience, each Member has been given charge of a group of subjects. While, each Member individually deals with various technical and other problems pertaining to his allotted subject, the important policy matters are considered by the Commission as a whole. The Prime Minister in his capacity as Chairman of the Planning Commission, participates and gives direction to the Commission on all major issues of policy. The allocation of subjects among the Deputy Chairman and Members of the Planning Commission has been given in the Organisation Chart of the Planning Commission at

## Annexure I.

5. The work of the Commission is organised into technical Divisions/Units. They are headed by Principal Advisers/Advisers/Joint Secretaries.

6. All the Divisions in the Planning Commission may be grouped into three types of Divisions as indicated below : -

- i) Administrative Divisions: They render services pertaining to administration, accounts, library, training and other general services to the employees of the Commission.
- ii) General Divisions: These are concerned with certain aspects of the entire economy e.g. Perspective Planning, Financial Resources, International Economics, Plan Coordination, State Plans including Multi-Level Planning, Hill Area Development Programme, Labour Employment and Manpower, Science & Technology, Project Appraisal and Management, Development Policy and Socio- Economic Research.
- iii) Subject Divisions: These are concerned with specific fields of development e.g. Agriculture, Environment and Forests, Water Resources, Power and Energy, Industry and Minerals, Transport, Communication and Information, Village and Small Industries, Rural Development, Education, Health, Nutrition and Family Welfare, Housing & Urban Development, Social Development and Women's Programme, and Backward Classes.

An organisation chart of the Planning Commission is given in Annexure I.

7. All the Divisions in the Planning Commission maintain close contacts with the concerned Central Ministries/State Governments and various non-official agencies, study and examine various problems and issues in relation to the formulation as well as implementation of the Plan Programmes and Policies in their respective fields. They also organise research studies, which are deemed necessary for planning either on their own or through competent external institutions/organisations.

8. The senior officers of the Planning Commission have also been designated as Principal Adviser (State Plans) or Adviser (State Plans) who help the Commission in keeping close touch with the progress of planning and its implementation in States. Each Principal Adviser(SP) or Adviser (SP) has a group of States/UTs. allotted to him or her and helps in maintaining close liaison between Central Government and these States/UTs. He/she visits from time to time the concerned States/UTs, gives necessary advice and guidance to the Planning Commission and Executive authorities at the State/UT level and brings the difficulties and problems of the latter to the notice of the Planning Commission and Ministries/Departments at the Centre. The State Plans work is co-ordinated by Joint Secretary (State Plans).

### **Formulation of Five Year Plan and Annual Plans**

9. The principal task of the Planning Commission is to formulate the Five Year and Annual Plans for the most effective and balanced utilisation of the country's material, capital and human resources, appraise from time to time the progress in their implementation and recommend adjustments of policy and measures that are considered to be necessary in the light of such appraisal.

10. In formulating the Five Year Plan the Planning Commission

coordinates and oversees the development programmes of the Central Ministries and State Governments and integrates these in a national Plan covering both the public and private sectors. Specific schemes of financing are worked out for the Centre and each State, indicating clearly the additional resource mobilisation efforts that they would have to undertake; these are integrated with the overall scheme of flow of funds for the economy as a whole. At the Centre, the role of the Planning Commission in investment planning is crucial as the Commission provides an objective method of resource allocation reconciling claims of various Ministries taking into account the broad national objectives and priorities. Similarly, the Commission seeks to ensure through the Annual Plans which are the operational plans that the sum total of outlays of the Centre and the State is consistent with the estimates of resources available to the public economy. The plan outlays in both the public and private sectors are matched by resources in order to ensure orderly growth in conditions of relative stability, without introducing any distortions in investments or the production pattern.

### **Process of Planning**

11. The first step in the process of formulating a Five Year Plan is preparation of a paper on 'Approach to the Plan'. While undertaking work in this connection, Steering Committees/ Working Groups are also set up for reviewing the progress in the implementation of the current Five Year Plan and making detailed recommendations regarding programmes, projects, schemes and policies as well as outlays and targets both financial and physical for the various sectors and sub-sectors. Members of these Groups are drawn from officials in the Planning Commission, Central Ministries/Departments, other Institutions, State Governments and experts in the respective fields. As many as 23 Steering Groups and 116 Working Groups were set up in connection with the Ninth Plan. For

the Tenth Plan, 27 Steering Committees and 98 Working Groups were set up. Lists of Steering Committees/Working Groups set up for the Ninth Five Year Plan and those for the Tenth Five Year Plan are placed at Annexure II and Annexure III respectively.

12. The Approach Paper is prepared on the basis of the preliminary exercises undertaken in the Planning Commission projecting the growth profile of the economy over a period of 15-20 years covering the ensuing Five Year Plan period and the papers prepared by the Sectoral Divisions bringing out the issues to be tackled in their respective sectors during the ensuing five year plan period. Also, experience of the past projected requirements, likely availability of resources and such information as becomes available as a result of the work undertaken by the various Steering Committees/Working Groups are also kept in view while formulating the Approach Paper. Views of the Central Ministries, State Governments, Consultative Committee of Members of Parliament, Panel of Economists, experts and cross-section of the public are also taken into account. Objectives, targets, strategy, policies and programme thrusts of the five year plan are enunciated in Approach Paper. Sometimes alternative scenarios, requiring different degrees of effort, are also presented. The paper is first considered in the meeting of the full Planning Commission, then by the Union Cabinet and finally by the National Development Council. After approval by the Council, it is placed before the Parliament.

13. While initiating work on the approach at the national level, the State Governments are also advised to take preliminary steps for formulating their approach and set up Working Groups wherever considered necessary.

14. After the Approach Paper is approved by the National Development Council, the Planning Commission addresses the Central

Ministries and State Governments for undertaking the exercise of formulating detailed proposals for the Five Year Plan. Suitable guidelines are indicated for this purpose based on the mandate given by the NDC while approving the Approach Paper.

15. The work on detailing the development strategy, the economy-wide or macro parameters, such as savings, investment, employment, exports, imports and sectoral targets is carried out in-house by the Planning Commission, with inputs from the concerned Working Groups. The main emphasis is on ensuring that these targets or projections are consistent with the mandate given by the NDC while approving the Approach Paper.

16. Simultaneously, the Financial Resources Division of the Planning Commission requests the State Governments to furnish detailed forecasts of their resources for the Plan and the estimates of State resources for the five year plan is made by the Working Group on State Resources. For the Centre, the estimates of resources are formulated by the Steering Committees/Working Groups on Financial Resources of the Centre, which includes, *inter alia*, representatives of the Planning Commission, Ministry of Finance and Reserve Bank etc.

17. The recommendations of the State Plan Sectoral Working Groups on the plan proposals of a State are considered by the concerned State Plan Adviser. He takes a view on these recommendations in the light of his informal discussions with the State and Central Officers and also his knowledge of the development activities in the State. He prepares a report making detailed recommendations covering the programmes, targets and outlays. This report forms the basis of discussion between the Planning Commission and the State Government for finalising the Plan of the State concerned. The final position regarding the state's own resources, including market borrowing and additional resource mobilisation, Central

assistance and programme content emerges after discussion.

18. In the case of Central Plan, the procedure adopted for the Tenth Plan was that the Division concerned prepared a Background paper taking into account the guidelines laid out in the Approach Paper, the recommendations of the concerned Working Group(s), Ministry's proposals and the Division's own assessment of the development programme that was considered feasible and necessary. This Paper constituted the basis of discussion between the Planning Commission and the Secretaries of the concerned Central Ministries/Departments. In the light of the discussions with the Ministries and the anticipated availability of the total resources for the Central Plan, the Planning Commission took a view on the development programme of each Ministry/Department and the respective outlays.

19. In the process of finalising the Plan, the Planning Commission, if deemed necessary, may also consult the Consultative Committee of Members of Parliament attached to the Ministry of Planning representatives of organised groups of industrialists, labour leaders, agriculturists, social scientists and other experts. The views expressed in the Parliament and at other fora are also taken into account. Members of Parliament are also addressed individually seeking their valuable suggestions in this regard.

20. The Central and State Plans, together with the scheme of financing for these, as finally formulated are incorporated in the draft Five Year Plan. After approval by the full Planning Commission and the Union Cabinet, the Plan is presented before the National Development Council. After the Council has approved/endorsed the Plan, it is laid on the tables of both Houses of the Parliament.

21. The procedure for the formulation of the Annual Plan has been the

same as for the Five Year Plan in the case of the States till 1993-94. However, while formulating the Annual Plan 1993-94, the Planning Commission attempted a change in the process of formulation and finalisation of the State Plans. Earlier, the State Plan proposals which used to be need-based, were first discussed in the Working Groups consisting of the officers of the States, the Planning Commission and the Central Ministries and this used to form the basis of discussion between the Deputy Chairman and the Chief Ministers concerned. Invariably, in the process, the Plan proposals were far in excess of the resources and efforts had to be made to match the plan size to the resources in the discussions with the Chief Ministers. For the formulation of Annual Plan 1993-94, the resource evaluation was made first, on the basis of which, the Plan size was decided in the discussion between the Deputy Chairman and the Chief Ministers. The detailed Sectoral allocations were worked out thereafter. This realistic approach in finalising the Plan size has been highly appreciated by the States.

22. In the sectoral allocations in the State Sector, a change in the system by limiting the earmarking of funds to around 50% of total outlay, contrary to much higher percentages prescribed earlier, was attempted, so as to provide greater flexibility to the States to meet local requirements. This also meets the long standing demand of Chief Ministers in the National Development Council for greater flexibility in the State Plan.

23. In the case of the Centre, firstly, estimates of Centre's resources are called for from the Ministry of Finance and finalised in consultation with that Ministry. In this connection Planning Commission participates in a series of meetings convened by the Ministry of Finance with the Central Ministries to consider and finalise the Internal and Extra Budgetary Resource (IEBR) of the Public Sector Undertakings under the jurisdiction of the concerned Ministries. Secondly, discussions with Central

Ministries are held on the draft Plan proposals sent by them and meetings for this purpose are taken by Member-Secretary/ Secretary, Planning Commission with the Secretaries of the Ministries/Departments.

24. The Planning Commission has also been laying particular emphasis on the need for improving planning process and capabilities in the States, which bear the primary responsibility for creating and maintaining most of the economic and social infrastructure in the country.

25. Over the years, the Indian planning system has moved from centralized investment planning to a more directional planning methodology. Today the Planning Commission concerns itself with evolving a long-term strategic vision of the economy, decides on priorities and works out the sectoral targets consistent with the strategic vision and priorities. It also indicates the initiatives the government needs to take both in terms of investments and policy changes to realize these objectives.

26. Planning Commission plays an integrative role in the development of a holistic approach to policy formulation in critical areas of human and economic development, specially where both the Centre and the States have a role to play. In the social sector, schemes which require coordination and synthesis, like rural health, drinking water, rural energy needs, literacy and environment protection, require coordinated policy formulation. The lack of such coordination has led to multiplicity of agencies and duplication of efforts, which increases costs and reduces efficiency. In a federal framework, such an integrated approach can be developed only by the Planning Commission, which has close links with both the Central Ministries and State governments.

27. The emphasis of the Commission is also on maximizing the output of the economy by using our limited resources optimally. Although ways

of increasing the availability of resources is an important component of planning, it is equally important to look for increasing the efficiency of utilization of the available resources. The priorities, programmes and strategies of the Plan, therefore, have to take into account all these factors.

28. With the emergence of severe constraints on available budgetary resources, the resource allocation system between the States and Ministries of the Central Government are under strain. This requires the Planning Commission to play a mediatory and facilitating role, keeping in view the best interests of the country. It has to ensure smooth management of change and help in creating a culture of high productivity and efficiency in Government, both at the Centre and in the States.

29. The key to efficient utilization of resources lies in the creation of appropriate institutions and self-managed organizations at all levels. In this area, Planning Commission plays a systems change role and provides capability within the Government for developing better systems and institutional design.

30. In order to spread the gains of experience more widely, Planning Commission also plays an information dissemination role regarding best practices obtaining in different States and institutions.

### **Consultation of Planning Commission by Central Ministries on important Issues**

31. The Planning Commission (Yojana Ayog) is concerned broadly with technical questions relating to planning and the planning organization itself. The policy and details of specific schemes included in the Plan are matters to be dealt with by the Central Administrative Ministries and State Governments.

32. However, the Planning Commission, being an advisory body, is consulted by the Central Ministries on all important economic and development issues. This enables the Government to have expert advice and ensure that the decisions taken from time to time are in conformity with the strategy and policies indicated in the Plan.

### **Project Appraisal**

33. In order to undertake the techno-economic appraisal of major projects and programmes in the public sector for facilitating the investment decision by the Government, a separate Division known as 'Project Appraisal Division' was set up in the Planning Commission in 1972. With the merger of Monitoring and Information Division with this Division, it has been reconstituted as Project Appraisal and Management Division (PAMD) on 6th January, 1994. The PAMD undertakes appraisal of Central Sector projects and schemes in consultation with the subject Divisions of the Planning Commission before these are considered for investment approval/decision by the Public Investment Board or Expenditure Finance Committee depending upon the size and nature of project cost. Presently, all the Central Sector Projects/ Schemes costing Rupees 25 crore or more are appraised by this Division. The appraisal by PAMD broadly includes various aspects such as need and justification, linkages with the Plan, Demand Supply, Technical feasibility, Organisational, Managerial and Financial Capabilities of Project Authorities, reliability of cost estimates, financial and economic viability etc. of the projects/schemes. Besides, new proposals, the proposals of the revised cost estimates are also appraised by PAMD.

34. In the light of experience gained in project planning, certain steps have been taken to improve the system of project formulation and implementation. Since the quality of the feasibility report is the main problem and its quality depends upon the extent of studies and

investigations, the Government has recently introduced a new system called clearance of proposals, known as "Two-stage clearance System", for major projects where the cost of the project exceeds Rupees fifty crore or the cost of preparation of feasibility reports exceeds Rupees one crore. At the first stage, proposals for the preparation of feasibility reports would be cleared. The investment decisions would be taken at the second stage on the basis of well prepared feasibility reports. To improve the quality of feasibility reports, the Division has issued sector-specific guidelines particularly for coal, power, industry and mineral sectors. The PAMD has also issued guidelines for the preparation of proposals of revised cost estimates to be processed under delegated powers of the Ministries/Departments in consultation with the Planning Commission.

35. Government has issued comprehensive guidelines for formulation, appraisal and approval of all Government funded Plan schemes/projects including social sector projects costing Rupees 50.00 crore and above over a 5 year Plan period (O.M. No. 1(2)- PF.II/03 dated 7.5.2003 of Department of Expenditure).

### **Management Aspects**

36. The Planning Commission also undertakes certain management and training programmes and caters management support services through its Management Consultancy Development Scheme in selected public utilities with a view to improving efficiency, work environment, performance, management systems and procedures in various Central and State Public Sector Undertakings and other organisations.

37. After the formation of the Department of Programme Implementation in 1985, the monitoring function of the Planning Commission, namely, Central Sector Projects has been transferred to that Department.

## **Evaluation of Programmes**

38. Evaluation and assessment of the development projects/schemes play a key role in generating vital data for effective development planning, particularly in the developing countries. The results of the quick evaluation studies of the ongoing programmes provide results which guide in making mid-course corrections if necessary, in their implementation. Also feedback through evaluation results is an important requirement for assessing the performance, comparing the envisaged with the actual operations and using these information to guide the future line of action. The other detailed post evaluation assessment studies/surveys create data base for future effective and viable planning of development schemes/projects.

39. For the above purpose scientific evaluation/assessment studies/surveys are being undertaken by the Programme Evaluation Organisation of the Planning Commission and also State Evaluation Bodies to assess the achievement of plan programmes against the stated objectives/goals and targets; impact on the beneficiaries and socio-economic structure of the community; the mechanism and the adequacy of the delivery system etc. The basic data that becomes available through conduct of the studies/survey, helps in the formulation of Medium and Long Term Plans.