

70 years of Independence

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Planning Commission to NITI Aayog
Making strategies for transforming India



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The NITI Aayog, established in 2015, is one of Indian democracy's youngest institutions. It has been entrusted with the mandate of re-imagining the development agenda by dismantling old-style central planning. As the Indian economy rapidly integrated with the global economy contradictions arose between central planning and increasing private capital flows. The NITI Aayog was mandated to foster cooperative federalism, evolve a national consensus on developmental goals, redefine the reforms agenda, act as a platform for resolution of cross-sectoral issues between Center and State Governments, capacity building and to act as a Knowledge and Innovation hub. It represented a huge mandate for a nascent organization.

The NITI Aayog's precursor, the Planning Commission was established in March 1950 by a Government of India resolution with Prime Minister as Chairperson. The initial mandate was to establish heavy industries through public investment as a means for achieving rapid industrialization. The functions assigned to the Planning Commission were to assess and allocate plan resources, formulate plans and programs for area development, determine implementation methodology, identify resource constraints and appraise & adjust implementation.

The Planning Commission from 1950 to 2014 formulated twelve five year plans. The 1st and 2nd plans aimed at raising public resources for investments in public sector, the 3rd plan focused on increased emphasis on exports and the 4th Plan formulated at a difficult period of balance of payments crisis focused on agricultural development. The 5th Plan provided enhanced allocations for social sector spending. The 6th and 7th Plans were infrastructure plans focusing on raising plan resources for infrastructure spending. The 8th Plan formulated in the midst of economic reforms achieved 6.7 percent growth. The 9th Plan period witnessed a sharp decline in economic growth to 2.4 percent. The 10th and 11th Plans implemented in the 2004-2014 period witnessed economic growth trajectory of above 9 percent.

An internal evaluation in Government revealed that Planning Commission was witnessing policy fatigue necessitating structural changes in central planning process. The assessment identified that the collapse of public investment in the face of rising subsidies, huge demands on public resources from the Right to Education Act, the National Rural Employment Guarantee Act and a poorly targeted Public Distribution System. Further rigid labor laws were impeding progress, and there were difficulties in releasing land for public housing and other public projects. A new Institutional framework was needed.

As the Prime Minister announced the closure of the Planning Commission from the ramparts of Red Fort on August 15, 2014, a renowned economic journal said that not many will shed tears for the demise of the Planning Commission. The planning exercise that was followed hardly had any relevance for the market economy. It did very little to plan and implement public sector investments and its role in public-private partnerships was restrictive. The proliferation of Centrally Sponsored Schemes contributed to severe distortions in public spending.

The NITI Aayog has done enormous amount of work in a short period of 3 years. It started designing strategic policies, fostering cooperative federalism, provided knowledge and innovation support and undertook evaluation/ monitoring of major investments. The NITI Aayog formulated the Make in India Strategy for Electronics Industry, a Model Land Leasing Law, laid down a National Energy Policy, prepared a Roadmap for Revitalizing Agriculture, designed a Developmental Strategy for North East and Hilly areas and undertook an appraisal of the 12th Five Year Plan. Further the NITI Aayog recommended closure of sick PSUs, strategic disinvestment of other CPSUs and pushed for reforms in Medical Council of India and the University Grants Commission. The two standout initiatives of the NITI Aayog were the model law on land leasing and the framework of priorities for disinvestment.

An over-arching theme of the NITI Aayog was the change in focus from central planning to cooperative federalism. The Prime Minister said that “Through the NITI Aayog, India will move away from the one size fits all approach and forge a better match between schemes and needs of States”. The Governing Council of NITI Aayog met very often, 3 sub-groups of Chief Ministers were worked on centrally sponsored schemes (CSS), skill development and Swach Bharat. Based on their recommendations, the new CSS sharing system was notified and a transparent formula based allocation of resources was reached. The Swach Bharat cess was levied on all services. To promote skill development initiatives, the involvement of States in the Pradhan Mantri Kaushal Vikas Yojana was ensured. The Atal Innovation Mission was launched to seed innovations to teach young minds new skills.

The NITI Aayog made serious efforts for Transforming India’s developmental agenda. It sought proposals from all Central Ministries for Accelerated Growth and Inclusion Strategy, Employment Generation, Energy Conservation and Efficiency, Good Governance and Swach Bharat. In April 2017, the NITI Aayog Governing Council approved the 3 Year Action Plan agenda aimed at shifting the composition of expenditure by allocating a larger proportion of additional resources to high priority sectors, namely education, health, agriculture, rural development, defence, railways and roads. An agricultural transformation was envisaged with the objective of doubling farmer’s income by 2022. This was to be achieved through a model land leasing law, reform of agriculture produce marketing committees, a legal framework for contract farming and policies to overcome distortions caused by the MSP scheme. Further the NITI Aayog, monitored the implementation of

the Sustainable Developmental Goals.

To conclude it can be said that the NITI Aayog has undertaken path breaking work in its first 3 years and the Nation can look forward to the Institution imparting a new dynamism to India's developmental process in the coming years.

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