

## IS NITI AAYOG OLD WINE IN A NEW BOTTLE?

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The Narendra Modi government has its plate full. It needs to increase employment and incomes; revive investments and growth; untangle the financial sector; navigate muddied-up international trade; solve the perennial problems of poor education and health, and the growing problems of environmental pollution and water scarcity. Even though statistical confusion was created in the run-up to the election to deny that problems of unemployment and growth were serious, high-powered Cabinet committees have been formed to tackle them.

Regardless of whether or not India has the fastest growing GDP, it has a long way to go to achieve economic and social inclusion, and restore environmental sustainability. India's problems are complex because they are all interrelated. Fixing one part of the system alone can make matters worse. For example, providing skills to millions of youth before there are enough employment opportunities is a bold fix that can backfire. The complexity of the task demands a good plan and a good strategy.

Does the Indian government have the capability to make good plans and strategies to address its complex challenges? Since India has not done as well as it should have to produce faster growth with more inclusion and sustainability, one would have to surmise that it has not developed the requisite capabilities. Mr. Modi has known this. Indeed, the first major reform he announced in his first term was to abolish the Planning Commission. He replaced it with the loftily titled 'National Institution for Transforming India' (NITI Aayog).

Now, when the country's economy has not performed to the high expectations Mr. Modi had created, and citizens' aspirations for '*acche din*' have not been realised, the performance of the NITI Aayog is under scrutiny, as it should be. Many people are even nostalgically recalling the Planning Commission, including some who were very critical of it and wanted it overhauled.

Mr. Modi's predecessors, Manmohan Singh and Atal Bihari Vajpayee, had faced similar, large, economic, social, political and global challenges. When Vajpayee was presented a nine-point plan by a global think-tank to increase the economy's growth to 9%, he famously retorted, "We know all that. The question is, how will it all be done?" He highlighted that many stakeholders must be involved in the implementation of a plan in a large, diversified and democratic country — the States, the private sector, civil society and even the political Opposition. Therefore, it is not good enough to have a plan, there must also be a strategy for its cooperative implementation too.

Dr. Singh declared that reform of the Planning Commission was long overdue. An intensive exercise was undertaken. Many stakeholders were consulted. International practices were examined. An outline was drawn of a substantially reformed institution which would, in Dr. Singh's words, have a capability for "systems reform" rather than making of Five-Year Plans, and which would have the "power of persuasion" without providing budgets.

A commission chaired by C. Rangarajan, then chief economic adviser to the Prime Minister, examined budgetary processes, divisions of responsibilities between the Finance Ministry and the Planning Commission, and distinctions between 'plan' and 'non-plan' expenditures. It concluded that budgetary responsibility must be concentrated in the Finance Ministry, and it was no longer desirable for the Planning Commission to have powers for financial provisions.

Some in the Planning Commission were worried that it would lose its teeth if it did not have any

financial power. How else would it persuade the States to do what it wanted them to do? Chief Ministers retorted that the Planning Commission must improve its ability to understand their needs and to develop ideas that they would want to adopt because they accepted the ideas as good for them, not because they would have to if they wanted the money. Mr. Modi, as a powerful Chief Minister, understood well the limitations in the Planning Commission's capabilities and what it needed to do to reform itself, which the investigations commissioned by Dr. Singh had also revealed. It is not surprising, therefore, that the bold charter of NITI Aayog that Mr. Modi announced in 2015 was consistent with the insights that Dr. Singh and Vajpayee had earlier. He was implementing an idea whose time had come.

Implementation of radical change is never easy. If things don't go well soon, nostalgia will rise for the old order — even though there was dissatisfaction with it. And the change-maker will be blamed for the disruption. The NITI Aayog charter is a good starting point for a new journey in transforming the governance of the Indian economy. The NITI Aayog and the government would do well to conduct an open-minded review of what NITI Aayog has achieved so far to adopt the new role described in its charter — that of a catalyst of change in a complex, federal, socioeconomic system. And assess whether it has transformed its capabilities sufficiently to become an effective systems reformer and persuader of stakeholders, rather than merely an announcer of lofty multi-year goals and manager of projects, which many suspect it is.

There is deep concern that NITI Aayog has lost its integrity as an independent institution to guide the government; that it has become a mouthpiece of the government and an implementer of the government's projects. Many insist that NITI Aayog must have the ability to independently evaluate the government's programmes at the Centre and in the States. Some recall that an Independent Evaluation Office set up in the last days of the UPA-II government was swiftly closed by the NDA government. Others counter that the Planning Commission had a Programme Evaluation Organisation all along and which continues. They miss the need for fundamental transformation in the approach to planning and change.

The traditional approach of after-the-fact evaluation sits in the old paradigm of numbers, budgets and controls. The transformational approach to planning and implementation that 21st century India needs, which is alluded to in NITI's charter, requires evaluations and course-corrections in the midst of action. It requires new methods to speed up 'organisational learning' amongst stakeholders in the system who must make plans together and implement them together.

The NITI Aayog's charter has provided a new bottle. It points to the need for new methods of cooperative learning and cooperative implementation by stakeholders, who are not controlled by any central body of technical experts with political and/or budgetary authority over them. Merely filling this new bottle with old ideas of budgets, controls and expert solutions from above will not transform India. The debate about NITI Aayog's efficacy must focus on whether or not it is performing the new role it must, and what progress it has made in acquiring capabilities to perform this role, rather than slipping back into the ruts of yesterday's debates about the need for a Planning Commission.

*Arun Maira was a member of the Planning Commission*

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