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Goodbye Planning, Welcome NITI

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From 1 January 2015, the '*Yojana Bhavan*' on the busy Parliament Street (Sansad Marg) in Central Delhi sports a new name: NITI *Aayog* (Commission). This follows the official notification of the Government of India replacing the Planning Commission housed in the *Yojana Bhavan* by the NITI *Aayog*, or the National Institution for Transformation of India (NITI) *Aayog*. The new institution is expected to spearhead economic policy thinking in India by ensuring such policies are evolved in line with India's national strategic interests.

For long, the *Yojana Bhavan* has been looked up to as the hallowed premise nurturing inputs that shape India's five-year plans and the direction they impart to the Indian economy. It will continue to retain its appeal and be viewed as the hub of India's economic policy-making. There will be one major difference though. It would no more be synonymous with planning.

How different would the NITI *Aayog* be from the Planning Commission?

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Composition

The composition of the *Aayog* still resembles a lot of its predecessor albeit with a trimmer size. The prime minister would continue to chair the *Aayog*, as with the Planning Commission, and would also appoint the vice-chairperson. Noted economist Arvind Panagariya has been appointed the first Vice-Chairperson of the *Aayog*.

The *Aayog* has a smaller team. The Planning Commission had nine full-time members with different expertises. The NITI *Aayog*, till now, has only two.² The maximum number of full-time members is not specified in the notification issued for setting up the *Aayog*³ leaving the matter somewhat ‘open-ended’. Given the current Government’s penchant for ‘lean and trim’ institutions, the number of members is unlikely to become much larger. A maximum of two part-time members from ‘leading universities, research organizations and other relevant institutions’ can be taken in; no part-time member has been appointed so far.

Four ex-officio members from among Cabinet ministers have been appointed to the *Aayog*. These include Home Minister Rajnath Singh, Finance Minister Arun Jaitley, Railways Minister Suresh Prabhu, and Agriculture Minister Radha Mohan Singh. Nitin Gadkari, the Minister of Road Transport and Highways, Smriti Irani, the Minister of Human Resource Development, and Thawar Chand Gehlot, the Minister of Social Justice and Empowerment, have been appointed special invitees. The current Secretary of the Planning Commission is expected to be the CEO of the NITI *Aayog* and would have a fixed tenure.

Between the Chairman, Vice-Chairman, Members (full-time and ex-officio) and Special Invitees, the NITI *Aayog* team stacks up ten members, one less than the eleven-member core team that the Planning Commission had. This is clearly not much of leaning and trimming. Moreover, the current composition is essentially a subset of the Union Cabinet, with seven cabinet ministers including the prime minister part of the *Aayog*. Presumably this has been done to ensure seamless coordination between the *Aayog* and key ministries.

While the *Aayog* is being visualised as primarily an economic policy think-tank, its coverage of issues is expected to go well beyond macroeconomic policies. Given the portfolios of the

² Economist Bibek Debroy and defence scientist V S Saraswat have been appointed full-time members.

³ ‘NITI *Aayog* Objectives and Composition’, Press Information Bureau, Government of India, Planning Commission, 1 January 2015. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=114273>

ex-officio member-ministers, the focus of the *Aayog*, apart from policies connected to macroeconomics and public finance, should be equally firm on agriculture, infrastructure, education and social empowerment. In this respect, the absence of the minister for commerce and industry as an ex-officio member is a bit surprising. This could be due to the incumbent Minister for Commerce and Industry, Nirmala Sitharaman, being a Minister of State (independent charge) and not having Cabinet rank.

Objectives

The fundamental objective of the *Aayog* is to make the Indian states key actors in national economic policy making. In this respect, it marks a fundamental departure from the approach to policy making followed by the Planning Commission.

The Commission was a Central agency and would interact with the states in that capacity. Its interface with the states was mostly for determining the planned allocation of funds for various centrally-sponsored schemes being administered by the states. The model was replicated at the state level with each state having its own planning agencies and boards.

Historically, the role of the states in shaping the overarching national economic policy architecture in India, as reflected in the various five-year plans, has been rather limited. Plans drafted by the Planning Commission would be discussed at the National Development Council (NDC) meetings chaired by the prime minister and including all state chief ministers. These meetings, however, were largely ceremonious. Major amendments to the drafted Plans, presented at the meetings in practically final shapes, were hardly possible.

The NITI *Aayog* aims to make the states more active participators in the national policy making process by bringing in all chief ministers into the Governing Council of the *Aayog*. At the next level, it has constructed regional councils that would be convened by the prime minister and would include chief ministers from the respective regions. By doing this, the *Aayog* hopes to transform the current ‘one-way flow’ of policy from the centre to the states to a more balanced pattern.

There are other tasks that the *Aayog* is mandated to perform. These include formulating plans at village levels for eventual aggregation, creating knowledge, innovation and entrepreneurial support systems, pioneering research on good governance models and techniques, fostering

innovation and building partnerships with national and international agencies. Overall, the objectives of the NITI *Aayog* are distinctly large and ambitious.

Looking Ahead

Following the Prime Minister Modi's announcement in his maiden Independence Day address to the nation on 15 August 2014 on replacing the Planning Commission by a more contemporary agency with a reformist outlook, some had expected the alternative structure to be an expanded version of the Prime Minister's Economic Advisory Council. The NITI *Aayog* would be that and far more.

The *Aayog* is likely to signal the beginning of a new phase of economic policy making in India where views of states and regions could be the starting points for all major policy exercises. As a perspective, this indicates the shift to a 'bottom-up' approach in economic policy making. It resonates with the sentiments of Prime Minister Modi who has earlier been Chief Minister for several years and has held the view that the Indian states are allowed only limited room in fixing national economic policies.

It is too early to say whether the working of the NITI *Aayog* will reflect that of its more illustrious regional counterpart, the National Development Reforms Commission (NDRC) in China. Shades of the NDRC are visible in the *Aayog*'s emphasis on marrying economic policy interests with those of national security. However, the NDRC is not as 'bottom up' or consultative in its approach as the NITI *Aayog* proposes to be. The NDRC is also the most powerful economic policy agency in China wielding greater influence on policies than several individual ministries. Whether the *Aayog* eventually assumes an identical stature depends on how much policy space other ministries allow it in economic matters, particularly the ministry of finance.

For the moment though, the NITI *Aayog* is set to transform India's economic landscape in line with the vision of Prime Minister Modi. So, goodbye planning and welcome NITI!

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