

Planning Process, Planning Commission and Rollover Planning

Some Basic Issues

Suresh D Tendulkar

The present paper attempts to argue three major points:

- (1) *Before considering the method of planning — fixed or rolling — priority should be accorded to the basic problem of restoring the credibility of the planning process itself and this has to be done at the political level. No plan is likely to succeed in the absence of this essential requirement.*
- (2) *As regards the method of planning — rollover as against fixed plans — each has its strong points as well as problems, the rolling method being considerably more complex than the fixed plan method and the desirable mode of planning should be determined on the basis of the availability of certain prerequisites.*
- (3) *In the present Indian context, the essential prerequisites of the rolling plan method appear to be demanding and in the absence of adequate preparation and deliberations, the prospects for its working are far from bright and it is likely to lead to unintended results.*

In the light of the discussion, the author concludes that the abrupt changeover in the basic method of planning does not augur well for restoration of credibility in the planning process.

I Introduction

THE planning process in India has been under suspended animation since the middle 1960s. The early 1970s saw the ascendancy of reckless populist slogan-mongering without any serious planning efforts. This was continued during the nineteen months of Emergency under the *ad hoc* and superficial Twenty and Five point programmes which ironically came to dictate the planning process. In more recent times, after the dramatic political changeover in March 1977, the reconstituted Planning Commission was announced under the cloud of the rumour that the Planning Commission was being wound up. Then appeared the news item regarding the reported move "to put the Planning Commission in its place" by transferring the functions of annual plan formulation and project appraisal from the Planning Commission to the Finance Ministry. This has been followed by the latest and apparently casual announcement of the change in the basic method of planning from the 'fixed' five-year plan to the 'rolling' five-year plan with an annual review period. The piecemeal and often contradictory pronouncements regarding the operational implications of the new method emanating from the Planning Commission have added further to the prevailing confusion

regarding the role of the planning process, the role of the Planning Commission and the rollover method of planning. The present paper seeks to raise some substantive issues in this connection and attempts to argue three major points:

(1) Before considering the method of planning — fixed or rolling — priority should be accorded to the basic problem of restoring the credibility of the planning process itself and this has to be done at the political level. No plan — fixed or rolling — is likely to succeed in the absence of this essential requirement (section II).

(2) As regards the method of planning — rollover as against fixed plans — each has its strong points as well as problems, the rolling method being considerably more complex than the fixed plan method and the desirable mode of planning should be determined on the basis of the availability of certain prerequisites (section III).

(3) In the present Indian context, the essential prerequisites of the rolling plan system appear to be demanding and in the absence of adequate preparation and deliberations, the prospects of its working are far from bright and it is likely to lead to unintended results (section IV).

In the light of this discussion, section V speculates about the political

economy of changeover in the basic method of planning and concludes that it does not augur well for the restoration of credibility in the planning process.

II

Credibility of the Planning Process

Our contention is that the most fundamental problem in the context of economic planning at the present juncture is the need to restore the credibility of the planning process itself and that this has to be achieved at the political level in order to ensure its success.

The economic planning process, by its very nature, involves an *ex ante* co-ordination and conscious direction of the pace as well as the composition of future economic activity with a view to achieving socially accepted goals. The basic parameters of the planning process in India have been: (a) the socio-political environment of federal democracy, and (b) the institutional framework of a mixed economy. In operational terms, these two characteristics essentially meant a rather loose and uncertain control over the dominant private sector in the economy whereas the scope for effective planning has been mostly confined to the public sector activities. The planning agency, namely, the Planning Commission, has been an

advisory body and in that capacity, its major role has been to act as a lobby for the future and for certain long-term desirable social changes in the organisation and structure of production. (Its success in the past has been mainly determined by the political sanction and executive backing it received for taking a long-term view while resisting actions prompted by short-term political gains. This was facilitated to some extent by relative political stability. Whatever success the Planning Commission had in the 1950s and early part of the 1960s was basically due to this consideration although it was reinforced by the fact that, in effective terms, the accepted social objective was economic growth. The maximisation of growth as a social objective, in turn, meant a fair amount of coincidence between the self-interests of the dominant economic groups and the goals of those in charge of the planning process, and secondly, it did not require any substantive reorganisation of the production process or the institutional structure. In other words, 'political will' was not a crucial consideration for success.

The objective circumstances obtaining in the late 1960s onwards differed significantly from those in the earlier period. For one thing, the planning process lost its earlier credibility because of the lack of serious political sanction behind it and the short-term political gains became a dominant consideration in economic policy formulation. Simultaneously, the resulting economic stagnation brought to the fore the glaring and politically explosive inconsistency between the structure and organisation of production on the one hand, and the distribution of purchasing power emanating from it on the other thus focusing attention on the problems of increasing poverty and unemployment. The culmination of this process is dramatically reflected in the current economic situation where we have been unable to absorb the food-grains output of 120 million tonnes despite widespread hunger and malnutrition and where we find ourselves at a loss when faced with the mounting foreign exchange reserves despite persistent stagnation in investment.

The emerging situation since the middle of the 1960s shifted the dominant social objective from economic growth in the 1950s to the eradication of poverty and unemployment. This

shift has made the question of political sanction all the more significant in restoring the credibility of the planning process. The social objectives enshrined in such catchy political slogans as "Garibi Hatao" or "Eradication of Unemployment in Ten Years" imply a substantial reorganisation of the production process and the institutional structure in order to create purchasing power where it is needed which, in turn, cannot be achieved without drastic redistribution which, by its very nature, involves sacrifices on the part of the existing dominant interests in favour of the weaker sections of the community. In this connection, the crucial consideration in restoring the credibility is precisely whether the government (dominated naturally by the political party in power) can act as an agent of desirable economic and social change in order to counter the self-interests of the dominant groups on which the government in power depends directly or indirectly. In other words, the basic question that has emerged under the changed circumstances is one of "political will" and has to be tackled at the political level. The poor performance in the last decade with reference to these social objectives can be attributed to a constellation of four major factors. The political party then in power exploited the redistributive objective at the superficial slogan level thereby raising aspirations. Second, the superficial commitment at the slogan level was combined with the short-term economic policies directed at immediate political gains. Thirdly, we had an unenviable situation where various ministries acted as supreme independent empires for policy formulation without mutual co-ordination and openly flouted the plan priorities dictated by the politically committed social objectives. Finally, the crucial parts of the redistributive social objective (e.g. land reforms) fell within the purview of the state governments that chose to back the objective at the slogan level while quietly sabotaging the same in practice. These factors naturally led to a wide divergence between aspirations raised by slogan-mongering and achievements thus resulting inevitably in the loss of credibility of the planning process. It may be emphasised that the same old forces are still in operation today and would lead to the same disastrous results

unless the changed political leadership addresses itself to the all-important question of political will required for the successful implementation of the social objectives of eradication of poverty and unemployment and hence for the restoration of credibility in the planning process. A legitimate question is raised in certain quarters whether the Janata party in power is capable of acting against the class-interests it represents. If it cannot, it is futile and hypocritical even to talk about the redistributive social objective.

The problem of political will fits in the arena of the political process and hence beyond the purview of the Planning Commission. A pertinent question, therefore, arises about the role of this institution. Our view is that the Planning Commission has a meaningful role to play in restoring the credibility of the planning process in at least two areas. First, the issue of informed political will can be tackled at the level of commitment to the concrete programmes and policies. The Planning Commission ought to confront the political leadership with the operational implications of alternative combinations of the levels of social objectives along with their associated socio-political consequences at the concrete programmes and policies level. It can then help in arriving at a rational strategy that is consistent with the extent to which constraints imposed by the socio-political environment can be stretched and with the organisational, administrative, institutional and financial feasibility of the associated policy frame. Secondly, the related aspect of the restoration of the credibility of the planning process pertains to the planning performance. In this connection, the planning commission will have to try and dissuade the political leadership from indulging in rash slogan-mongering to earn short-term political gains and avert long-term economic and political disasters. Considerable scope also exists for improving the methods of plan implementation as also encouraging decentralisation in order to ensure grass-root participation in the planning process. The role of plan performance as a crucial factor in building up the credibility of the planning process was highlighted in the very title of a perceptive article on Communist China by Wassily Leonov: "The Art of Planning in China: Theory and Practice of Promising to

More Than You Can Deliver". As Leonief put it beautifully in the very first sentence, "It works". The basic message was that so long as the government, on its part, delivered the promises made to the various sections of the population and ensured socially acceptable and equitable distribution of increases in benefits, the resulting credibility would make these groups, in turn, put in their best as far as their contribution to the economic activity was concerned. In other words, efficiency on the part of individual economic agents could be ensured only on the basis of credibility. Indeed, this requires political restraint and discipline on the part of the political leadership and firmness on the part of the planning agency. There has to be a continuous interaction and debate between the political leadership, government and the planning agency in working out the feasible levels of social objectives in the light of the associated efforts required.

In the Indian experience over the past decade, it has become a general practice to accept the advice of the planning agency whenever politically convenient and ignore it whenever politically unpalatable. Part of the blame for this sorry state of affairs also lies with the Planning Commission, which, in the past, concentrated more on the quantification of the political slogans than on concrete programmes and consequences of the policy frame associated with the alternative levels and combinations of social objectives. It has also been guided not so much by realism but by considerations of 'aiming high' under the naive and untested premise advocated by the politicians that, somehow high aspirations would bring forth the required efforts for their achievement. There does not seem to be any evidence that the possibility of loss of morale from the non-fulfilment of unattainably high targets in crucial areas and their political exploitiveness have been considered with any seriousness. It has never made a serious attempt to highlight the often obvious and undesirable trade-offs between different social objectives which would bring out in the open the socio-political consequences of alternative courses of action open over a given period. Finally, it has also yielded to political pressures in relaxing the social priorities dictated by the social goals. The Planning Commission, thus, cannot be absolved of its own due share in

the process of lack of credibility in planning. The basic point is that it is necessary to reverse these persistent and dangerous tendencies of the past before the debate on the appropriate method of planning can take place. To conclude, the crisis of planning in India since the middle of the 1960s has been predominantly political although the compromises on the part of the Planning Commission have also contributed to the process. The solution to this crisis lies in the political arena and mere methodological innovations like rolling plans are not going to solve it. In fact, as we will see subsequently, the abrupt nature of the changeover in the planning method is unlikely to help the process of restoration of credibility of the planning process.

III

Fixed and Rolling Plan Methods: Some Considerations

The conventional fixed plan concept involved carrying out the plan formulation exercise at the beginning of every fixed-term (say, five-year) plan with a longer term perspective. The annual plans were expected to get embedded into the fixed five-year scenario for the economy. There had been either annual evaluation reports (although carried out, with considerable time lag) or alternatively mid-term appraisals. In contrast, the 'rolling' plan idea involves planning with a 'moving' or 'sliding' horizon. Every year with effect from 1978-79, a plan is expected to be formulated for the next five-year period in the light of the performance of the economy during and prior to that year.

The concept of a rolling plan has been originally suggested in situations where the economy is faced with large uncertainty with reference to certain natural (e.g. weather) or economic (e.g. oil price) factors which make it difficult to take a long- or medium-term perspective regarding the future course of events. Under these circumstances, the rolling plan method offers the flexibility of adjusting to the changing exogenous factors from time to time. Even in the normal course of planning, the *ex ante* co-ordination involved in the planning process has to be based on the incomplete and uncertain information available at the time of plan formulation. As a result, there is a certain amount of inevitability about some discrepancies between forecasts and actualities and hence the

need for "a built-in capacity to correct mistakes".¹ This is expected to be provided by the rolling plan concept. An alternative justification for this concept has been given by Zauberman: "...the dichotomy of short- and long-term planning is, largely in conflict with reality if only because in real life, information flows of relevance for both the future and the present are inextricably interwoven. 'Rolling' planning would integrate them and take care of the dynamic equilibrium in the continuous process of structural change in the economy."² It is important to realise, therefore, that the rolling plan concept has a rational and convincing justification and is certainly not equivalent to "giving up planning".

The two decision parameters in the case of rolling plans relate to (i) the plan horizon or the number of time periods in future for which the alternatives are to be chalked out; and (ii) the shift period indicating the length of time over which the continual plan revisions are postulated. In the Indian context, the conventional five-year plan horizon has been left unchanged whereas the shift period is going to be one year.

It is important to notice in the very beginning that in analytical terms, the switchover to the rolling plan system involves two distinct steps in comparison with the existing and conventional static five-year plan formulation for the target or final year of the plan period. First, the static formulation has to be made explicitly inter-temporal by introducing the dynamic linkages of investment over time which would expand the choice elements and the information requirements significantly. Secondly, this explicitly inter-temporal formulation has to be repeated every year with a 'moving' or 'sliding' horizon taking into account the performance as well as the developments and updated knowledge regarding uncertain exogenous factors during and prior to that year. The row corresponding to the time period 'one' in this annually repeated inter-temporal exercise is expected to provide the operational plan for the first year of the rolling plan. This step makes further significant additions to both the decision variables and the information requirements. Even at algebraically abstract formulation level, it is easy to establish a tremendous increase in the complexity introduced by an inter-temporal model over a five-year hori-

zon with as few as ten sectors and a rolling horizon with an annual review period. In practice, both the time periods as well as the number of sectors for operational purposes have to be considerably larger in a rolling plan system. In other words, the changeover from a static five-year plan formulation to an inter-temporally rolling formulation is a very complex process that requires adequate technical and administrative preparation along with an appropriate institutional structure for its successful implementation. The foregoing considerations suggest the following essential prerequisites for the successful rolling plan system.

The first requirement relates to a *very efficient annual monitoring system* regarding the progress of various projects, the diagnosis of under- or over-fulfilment of various plan targets and the corrective steps required. This will have to be supplemented by a *short-term forecasting system* which is expected to indicate the course of various key variables (e.g. agricultural growth) in response to the latest information regarding uncertain factors (e.g. weather) and controllable policy variables. The assessment from the monitoring system and the short-term forecasts as regards the plan objectives in the light of the evolving circumstances has to be related to an *inter-temporal long-term perspective* and in the light of this exercise, it is necessary to initiate certain corrective steps wherever there have been discrepancies between the plan targets and achievements. These corrective steps in operational terms as also their timing decisions, in turn, require certain *decision-making powers* and technical expertise involving certain *decision-taking capabilities* with the planning agencies; These capabilities have to be backed by an *efficient administrative apparatus* for transmitting the corrective decisions for implementation and *political sanction* for ensuring their effectiveness. Finally and most importantly, it requires *basic discipline* to make sure that the socially accepted objectives remain fixed whereas it is the corrective steps and policy measures to achieve them that may roll in order to adjust to the changing exogenous circumstances rather than the other way round.

The smooth operation of the rolling plan system (thus) depends on the availability of essential prerequisites which are indeed demanding and clearly re-

quire an adequately prepared institutional framework. The crucial features, in our view, are political discipline along with the decision-making powers as well as the decision-taking capabilities with the concerned agencies. The role of these factors has been highlighted by an excellent analogy suggested by Mrinal Datta Choudhury of the Delhi School of Economics. He illustrated the situation with the example of two types of cameras. A camera with a large variety of manual adjustments provides a considerable flexibility whereas an automatic camera contains some rigidly fixed combinations of aperture, shutter speed, etc. However, the expertise of the operator is absolutely and crucially important with a non-automatic camera and any novice operating it can spoil the picture despite all the available flexibilities whereas the same novice can take a good picture with an automatic camera characterised by rigid fixities. In other words, flexibility *per se* is an asset only if mechanism exists for its effective use in an appropriate fashion. In the absence of such an adequate mechanism, a rigidly fixed structure may yield better results. The moral is that the flexibility under the sophisticated rolling plan system is likely to succeed provided the prerequisites for its effective use exist whereas if they do not, less sophisticated 'fixed' plans may prove more effective.

IV

Implications of Rollover Plan in Current Indian Context

It is now necessary to investigate whether the essential ingredients of success for the rolling plan method discussed in the last section obtain in the current Indian context, and indicate their operational implications.

The first and foremost consideration is the basic discipline to ensure that it is the accepted levels of social objectives that remain fixed and the strategies aimed at achieving them that may have to be adjusted in the light of exogenous *non-political* circumstances that are not amenable to policy. This is all the more important when redistributive social objectives requiring political will are in the forefront. We have argued this in section II. In operational terms, this requires a close and continuous rapport between the planning agencies, the government and the political leadership. The present Indian situation in

this regard is far from encouraging. The present party in power has been vacillating and exhibiting a total lack of direction as regards the future desirable course of social objectives. ~~How~~ do they appear to be clear, ~~where~~ they seriously believe in the planning process itself. The recent course of events noted in the introduction bear out this contention vividly. The Prime Minister has been indulging in slogan-mongering on the same lines as the doomed "Garibi Hatao" when he committed himself and his party to the eradication of unemployment in ten years without even working out the concrete programmes and policies, implications of this slogan. The Planning Commission, on their part, do not seem to have succeeded — if they tried at all — in exercising a moderating influence. It is very likely that when the stark political consequences of the redistributive implications of this slogan are concretised the short-term political compulsions may force the political leadership to drag their feet in implementation. The possible result under the rolling plan system would be significant pressures on the planners to roll over the social goals themselves — not in response to non-political exogenous circumstances as implied by the rolling plan concept but because of political compulsions and inability to opt for hard policy options. The rollover plan method with rolling objectives may provide an excellent excuse for the political leadership at all levels to evade their commitment and 'bridge' the gap between aspirations and achievements not by raising the levels of achievements but by lowering the aspirations from time to time. In other words, the 'informed' political may take a perverse form of adjusting to the political compulsions as has been happening since the middle 1960 except that the rolling plan concept will enable them to rationalise and institutionalise the continuous process of blatant compromises with regard to their commitment to the socially desirable objectives. If this happens, it will be positively inimical to the restoration of the credibility in the planning process.

To proceed further, let us assume for the sake of argument that the basic political discipline can somehow be ensured, the next consideration relates to the prerequisites of the decision-making powers and the decision-taking capabilities of the

concerned agencies. The first requirement for this is the existence of an annual monitoring mechanism with a diagnostic apparatus coming out with suggestions for possible corrective actions for the public sector and at least major private sector projects. This has to be organised in a decentralised fashion with two-way information flows going to and from a centralised agency overseeing this work at the Planning Commission. It is not clear whether the technical expertise required for monitoring purposes is available at the various ministries or departments at the Central, state and district levels. The monitoring requirements are likely to be all the more demanding when they have to cover highly decentralised activities such as rural employment generation which is crucial for monitoring the progress of the unemployment eradication objective. The second prior necessity in addition to the annual monitoring system relates to a well worked out and well tried out short-term forecasting framework which does not appear to be on the horizon. In the absence of these requirements, the information base of the rolling plan system would be extremely weak and no different from the existing 'fixed' plan system.

Even if the adequate information base is guaranteed, depending on the 'fixed' priorities of the rolling plan system and the availability of resources, all the corrective steps emanating from the monitoring system may not all be feasible nor necessary (because of 'low' priority). This choice among the alternative courses and combinations of corrective steps would require a machinery vested with adequate decision-making powers and decision-taking capabilities at all the levels with some centralised agency ensuring co-ordination and giving appropriate signals for action, which, in turn, have to take effect through an administrative apparatus over the next year. It is important to stress that all this requires the capacity to discriminate on the basis of incomplete and uncertain information, the consequences of emerging (non-political) circumstances as to whether they are temporary in nature requiring no action or whether they have significant effects on medium- and long-term perspective requiring changes in strategies. Do these capabilities exist at the moment? Is the implied substantial involve-

ment of the Planning Commission not only in initiating long-term measures but also in the short-run policy adjustments consistent with the terms of reference of the Planning Commission? Is it desirable? Is it going to be feasible without substantial reorganisation in the modes of working of different ministries and the state governments? These are open questions.

Granting for the moment that all the preceding conditions discussed above are ideally satisfied, it is worth pondering what sort of flexibilities do exist over an annual review period. As one member of the present Planning Commission remarked, on an average, about two-thirds of the plan outlays in every year are 'committed' to ongoing projects with more than an annual gestation lag. This does not necessarily mean that the short-term adjustments would not be required for this bloc, but the nature of adjustments is likely to be marginal. If the plan priorities in the public sector remain fixed, then a large part of the remaining one-third of the plan outlays may also be expected to be fixed. This leaves the private sector activities on which the Planning Commission's control is bound to be loose and uncertain. The same member of the Planning Commission also mentioned by way of an illustration that the Planning Commission would like to take a fresh look at the final demand vector from year to year. Now this is clearly a part of the short-run demand management requiring short-run policy measures with appropriate timing. The questions of decision-making powers and the decision-taking capabilities raised previously are again relevant here.

The intention behind the foregoing comments is not to say that the basic prerequisites of the rolling plan system are not sound and desirable in themselves. In fact, they would lead to the strengthening of the implementation process which is important in any planning system. However, our contention is that these prerequisites do not exist in adequate magnitude at the time the rolling plan system is being launched. Prior preparation in the institutional, administrative and procedural framework required for a successful rolling plan is also lacking. Considerable confusion still exists regarding what its operational implications are. On top of all this, it is likely to provide the

political leadership with an opportunistic tool to evade their commitment. The resulting responsibility on the Planning Commission to make it a success is indeed demanding, and if the political leadership as well as the Commission do not measure up to the task, the planning process itself is the likely loser in the game. Its consequences are anybody's guess. Our view is that given the present situation, it would have been wiser not to make a hasty and unprepared switch-over in the basic method of planning. This could have avoided considerable confusion and the energies saved could have been applied to what, in our view, is the most fundamental problem, namely, the restoration of credibility in the planning process. In other words, it is far more important to strengthen the implementation stage of planning by ensuring political sanction and administrative and executive backing rather than look for more sophisticated methods of planning.

V

Speculations about Political Economy of Changeover

We have seen that the credibility of the planning process is presently very low and that it has been continually eroded since the middle of 1960s mainly due to the lack of political sanction and executive backing although the Planning Commission has had its own share in the process of erosion. We have also reached the conclusion that although the rollover plan as a concept has a well established rationale, it is going to mean considerable expansion of activities on the part of the Planning Commission as well as change in the procedures for which they do not seem to be adequately prepared because of the abrupt nature of changeover in the method of planning. The question then arises as to why such a move has been made in such a hurried and casual fashion. The reasons do not seem to lie in the arena of improving the technique of planning because this required a debate about the existing machinery of planning and the possible improvements in it as also preparation of the possible changeover. This suggests that the reasons may be more political than technical.

Two speculations have been mentioned in this connection. Rumour has it that the move towards the rol-

ling plan system originated from outside the Planning Commission. If it is true, it means that the initiative regarding what method of planning the Planning Commission should follow rested outside the Planning Commission and was forced on it. This is indeed a poor reflection on the Planning Commission. It also means that the political leadership might be looking for the possible and convenient flexibilities to evade their political commitment to the planning process which would further erode the credibility of the Planning Commission. Given the pronouncements of certain dominant sections of the Janata party, this does not seem to be inconceivable. The second possibility interprets the changeover in the method of planning as a counter-move on the part of the Planning Commission to the reported transfer of the annual planning and project appraisal functions to the Finance Ministry. It may be noted that during the process of erosion of planning, these were the two functions which provided regulatory albeit advisory powers to the

Planning Commission. If these were taken away from the Planning Commission, it would be reduced to an innocuous institution. Faced with this possible danger the Planning Commission might have reacted to save itself by changeover in the method of planning which would enable it to retain and possibly expand the regulatory powers perhaps in an implicit and indirect manner. If this is true, it is again a sad commentary on the political leadership. They seem to be going through the ritual of reconstituting the institutions without vesting them with political confidence.

The basic point is that the rollover planning method is like a double-edged sword. It could work provided a close and continuous rapport exists between the political leadership and the planning agency with the required discipline on the part of the political leadership to keep their commitment to the objectives fixed and firmness on the part of the Planning Commission to make them realise this in case short-term political compulsions come to dominate. These conditions do not

appear to exist in the current Indian context, whichever of the two speculations mentioned above is accepted. The changeover, therefore, does not augur well for the restoration of credibility in the planning process.

Notes

[The author is indebted to Mr. Indu Datta Choudhury, Satish Jain and Deepak Nayyar for helpful comments and suggestions. None of them as the institution with which the author is associated is responsible for the views that are expressed in author's personal capacity.]

- 1 Remark of Kantarovich in a discussion of the paper by Federenko in T. S. Khachaturov (ed), "Methods of Long-Term Planning and Forecasting", Macmillan Press, London, 1976, p 18.
- 2 A. Zauberman, "Aspects of Planometrics", New Haven, Yale University Press (1967) p 98. Relevance may also be made to another theoretical study in this connection. See J. Habr "A Contribution to the Theory of Sliding Plans" pp 157-168 in "Problems of Economic Dynamics and Planning" Essays in Honour of Michal Kalecki, Pergamon Press, Oxford London, 1966.