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Cover Story

NITI Aayog: Performance At 2

INTRODUCTION

Niti Aayog has turned two years old in January 2017. It is meant to serve as a state-of-the-art resource centre for research on policy innovations, propagate a culture of high-quality monitoring and evaluation as well as promote collaboration between policymakers and researchers. The anniversary offers an opportunity to reflect on how the new institution differs from its predecessor, the Planning Commission, and what functions it performs. Also, how it has performed so far and what are the challenges ahead for it to fulfil its mandates.

PLANNING COMMISSION (PC) AS A PARALLEL CABINET

The Planning Commission has a distinguished past. *Planning was seen as deliverance, and India was primed for planning.* The PC grew into a power centre within independent India's government. Its prestige owed much to the significance Nehru attached to its work. During these years, it became the *institutional face of the Indian development story.* Its successes in the 1950s, especially in industrial production, drew the attention of developing nations such as Ghana, Egypt, Yugoslavia and Indonesia. It became so powerful that in the summer of 1950, the govt was forced to accept the resignation of its FM **John Matthai**, who had only recently formally introduced the PC to the nation in Parliament. Matthai later revealed that his resignation was precipitated by the disquieting escalation of the commission's powers which had begun encroaching on ministerial prerogatives by participating in cabinet meetings and involving itself in day-to-day administration. In effect, it was becoming a "*parallel cabinet.*"

The erstwhile PC used to perform three functions:

1. First and foremost, it used to draw a blueprint for the country's economic development over a five-year period as well as outlining a detailed strategy for achieving the goals and objectives enshrined in the blueprint which we call the Plan. After approval of the FYP, the PC in consultation with the FM also determined the annual plan. The determination of the "size" of the annual plan of each State was a major exercise and had been a cause of much irritation.
2. Second, flowing from its function of determining the size of plans for States, the PC allocated funds to States, distribution of which had again been a contentious issue.
3. Third, the PC had a key role in the formulation of various policies and programmes. It critically assessed the individual programmes of Ministries. Major projects were also assessed and approved by it. It was this function which resulted in a parallel unit corresponding to every Ministry being established in the PC. The Ministries regard the implementation of projects as their prime responsibility and very often considered the PC as a hindrance.

PLANNING COMMISSION LOST TRACTION

Planning was perceived in the 1950s as the most appropriate tool for ushering in faster economic growth. This was consistent with the thinking at that time that the state must have control over the "*commanding heights*". Due to recently acquired independence and infant democratic political establishment, State was required to act as regulator as well as provider of goods and services. So, State's interference was indispensable for planned balanced growth.

But, the planned development of State gradually started to show its pitfalls. It actually began from 1960s, when successive droughts and poor harvests led the government to abandon planning for an interregnum of three years, which we know as *plan holiday*. It was embarrassed when, in the mid-1980s, the then PM, Rajiv Gandhi, referred to its members (including former PM Manmohan

Singh) as a “**bunch of jokers**”. The BJP election manifesto of 1998 declared that it “opposed senseless central planning”.

In addition to inefficiency, times have changed in the post-liberalisation period. We have moved, at best, to an era of indicative planning. The blend of public and private investment has tilted in favour of the private sector. The State now was required to act as a facilitator, rather than acting as a big brother.

Thus, the scepticism about the utility of a PC started to show off and reflected how far opinion has shifted over the last six decades. In an altered polity and economy, centralised planning — an idea that had once gripped the minds of many nation-builders — has lost traction. Once capable of dethroning ministers, it has now seen its demise. Clearly, its demise is attributable only in part to the ideological belief that planning is *passee* in this age of markets and globalisation. The demise is also significantly attributable to its poor performance and growing irrelevance.

NITI AAYOG REPLACING PLANNING COMMISSION

Nevertheless while planning of the type we had in the first five decades after Independence has no relevance, an organisation to look at the basic issues confronting the economy, and preparing a broad framework on how long-term issues can be resolved, is still a necessity. While the State may play a diminishing role, it still plays a critical role in the economy. If there is an acceptable framework on what the critical issues are and how they should be tackled, it will provide a suitable basis for policy formulation.

Thus, despite the demise of Planning Commission, country needed another institution, with new capabilities and a new orientation with the task of preparing a blueprint for the country to shape the economy over a certain time frame. Also, there are issues which cut across Ministries, such as energy, transport, water or environment. In terms of policy formulation, such institution can take a holistic view and offer advice. Thus, was established NITI Aayog. Obviously, the new institution replacing the PC cannot carry on trying to coordinate the states with a control mindset and with the authority to allocate money as its source of power. It must play a catalytic role instead.

These are laudable ideals, but **what exactly will the NITI Aayog do different from the old Planning Commission to meet these objectives?**

- It has a structure similar to the Planning Commission, but its functions will be limited to **only acting as a policy think-tank relieving it of the two more functions** viz. the allocation of funds to the States and project evaluation of the Ministries that the PC used to perform.
- **Evidence-informed policy and practice** could provide the NITI Aayog with a distinct and effective approach to meet its mandate. Simply put, evidence-informed policymaking is an approach that aims to integrate the best available scientific evidence into the design of public policies. Central and State governments make hundreds of policy decisions, small and big, every day. Fortunately, many of these policy questions have been rigorously researched leading to valuable insights into which policies work, which don't and why. But not all of this research finds its way into govt policies. This is often because we lack a unifying mechanism within govt that can synthesise a diverse array of scientific evidence, from India and other developing countries, and provide coherent recommendations for policymakers. This is where a centrally located govt think tank like NITI Aayog, which can command the necessary resources, becomes essential.
- By ensuring that a policy innovation from any state, regardless of the party in power, gets due attention, the NITI Aayog can give a unique meaning to the idea of **cooperative federalism**.
- In policy areas where evidence is scarce, the NITI Aayog can actively promote **collaborations between policymakers and researchers** by funding and rigorously testing policy innovations at the pilot stage, before recommending them for scale.

OBJECTIVES OF NITI AAYOG

The resolution goes on to lay down **13 objectives** in all for Niti Aayog. These range from fostering cooperative federalism to developing mechanisms for preparing credible plans at the village level; ensuring that national security concerns are taken on board in development policies; creating a knowledge, innovation and entrepreneurial support system; serving as a platform for coordinating inter-departmental issues; and serving as a “repository of research on good governance and best practices in sustainable and equitable development”.

ORGANISATIONAL STRUCTURE OF NITI AAYOG

Prime Minister is the chairperson of NITI Aayog. It has a **Governing Council** which includes all State Chief Ministers and Lieutenant Governors of the Union territories. **Three subgroups of Chief Ministers** has been formed to advise the central government on the subjects of *Centrally Sponsored Schemes, Skill Development and Swachh Bharat Mission*. Then, **two task forces** on *Agricultural Development and Elimination of Poverty*, with parallel task forces on each subject constituted in the states and Union territories, have been set up.

On the organizational front, NITI Aayog had inherited from the erstwhile Planning Commission about 1255 positions of which approximately 800 were actually occupied. In view of the mandates of the new institution, it was felt that on the one hand it needed to be slimmer while on the other it also needed to induct new staff with a different mix of skills than the existing staff. Accordingly, the number of staff members in the institution has been trimmed to 500. It has also begun hiring new outside staff with one economist having already joined and several young professionals and officers on special duty expected to join in the near future.

The structure of the institution has been also adjusted to better fulfil its mandates, dividing the staff into two large hubs. One hub is called the **Knowledge and Innovation hub** and the other the **Team India hub**. The former has the responsibility to create, accumulate and disseminate knowledge while the latter serves as the link between states and ministries at the Centre.

CONTRIBUTIONS OF NITI AAYOG SO FAR

A New Planning Timeline

- Gone are the 5-year plans of Planning Commission. In its place, Niti Aayog sets a **15-year plan for government actions** for achieving social goals such as poverty reduction, and improving health and sanitation.
- Another **seven-year strategy document** for 2017-24 will chart out policy action outlined as the “National Development Agenda”.
- A **three-year “Action Agenda”** from 2017-18 to 2019-20 has been worked out to assess funding requirements. (Details in Section 3.7 in this magazine)

As A Think Tank

- As a part of its think tank function, the Aayog has brought out a book of best practices (**State Forward: Best Practices from Our States**), conducted workshops of State officials to spread these practices, collaborated with think tanks, created the utility India Energy Security Scenarios 2047, sponsored policy research and published several occasional papers.
- It is also in the process of bringing out the 15-year Vision and 7-year Strategy and recently brought out 3-year Action Plan documents.
- It also organises the **Transforming India lecture** series featuring such high-profile speakers. The PM, the entire Cabinet and the top bureaucrats attend these lectures.
- It has a Knowledge Portal to share best practices across sectors- www.indiaknowledgehub.gov.in

- NITI Aayog is the Nodal body for overseeing the implementation of SDGs. It has been entrusted with draft mapping of the Goals on Ministries and consultation held with States.

Expenditure Reforms

- Niti Aayog has been entrusted the task as the government looks to cut down on wasteful expenditure. The number of central autonomous bodies has shot up from 35 in 1955 to 533 in 2012 and the Expenditure Management Commission (EMC) headed by former RBI governor Bimal Jalan had said these agencies guzzled a lot of cash, which some estimates suggest could be over Rs 60,000 crore annually .
- A top government official said the commission was of the view that a meaningful review of the grants made to these institutions would lead to savings of around Rs 3,000 crore a year. A source said the UK had undertaken review of its 900 odd autonomous bodies. On the basis of the review, the number was pruned by 285 institutions, resulting in annual savings of \$2 billion.
- The panel had suggested a slew of measures to reduce government spending which included recommendations to streamline expenditure and review grants made to autonomous bodies, and link at least a part of it to performance.

Cashless Transactions

- After the demonetisation of high-value notes in November, Niti Aayog has driven new initiatives to push Indians to go for digital payments.
- It has been training officials of various ministries, at the central and state levels alike, to adopt digital modes of transaction. It announced award programmes for businesses and individuals to use cashless transactions.
- The Centre allocated Rs 50 crore to states for moving 5 crore no-frill Jan Dhan accounts to the digital platform.

Unshackling Agriculture

- **Raising Agricultural Productivity:** Increasing crop yields to feed 1.23 billion Indians is high on the agenda of the government. A task force, headed by Niti Aayog vice chairman, suggested ways of raising agricultural productivity and making farming remunerative for farmers. The panel suggested *reforms in land leasing policies, ramping up of land records and land titles, preparing the country for the second "Green Revolution" in eastern states, and addressing farmers' distress*. It has formulated a **model land-leasing law**, which Madhya Pradesh has adopted and Uttar Pradesh has substantially incorporated into a pre-existing law. Several other states are actively considering adopting the model law.
- The plan panel proposed major changes in the **APMC (agricultural produce marketing committee) Act**, the law that sets in place systems to ensure farmers get a fair deal for their produce and are not exploited. The panel has also drawn up an **Agricultural Marketing And Farmer-Friendly Reforms Index** to assess and encourage States to implement new rules. At present, more than two-thirds of Indian states have not been able to reach even the halfway mark of reforms score in the year 2016-17.
- Road Map for PMKSY's Har Khet Ho Pani and how to produce more output per unit of water (Per Drop More Crop) has been drawn. Focus on early completion of 8,214 on-going projects under IWMP to provide irrigation to 27.31 lakh hectare in rain-fed areas.

Social Sector Reforms

- The Aayog has suggested clubbing various social programmes and centrally-sponsored schemes under 28 umbrella projects for efficient delivery of services and avoid wasteful expenditure. The plan panel came up with **indices for measuring states' performance in health, education (SEQI) and water management**. These indices will help States gauge the

results of social programmes, compete with each other, and share best practices and innovations.

- The Composite Water Management Index, to assess and improve the performance in efficient management of water resources, ranks States on 28 KPIs/outcomes. It covers irrigation status, drinking water and other water-related sectors
- A big bang reform the Aayog has proposed is the replacement of the Indian Medical Council Act 1956, by a **Medical Education Commission Act** to overhaul medical education in India. The proposed Act would require entrance and exit examinations and replace input norms in the assessment of medical colleges by outcome norms. The Aayog is also working on the creation of **20 world-class universities** and **reform of the UGC Act, 1956 and AICTE Act, 1987**.

Innovation and Entrepreneurship, and Ease of Business

- The Aayog has also led the way for the creation of a vibrant innovation and entrepreneurship ecosystem in the country through its **Atal Innovation Mission (AIM)** and **Self Employment and Talent Utilization (SETU)**. The mission will soon establish tinkering labs in more than 200 schools as well as several incubators to promote innovation and entrepreneurship.
- The think-tank also backed deeper labour reforms to help entrepreneurs accelerate creation of regular salaried jobs. It identified two simple reforms which could be considered right away- **fixed term employment** and **definition of start-ups**.
- Recently fixed-term employment has been introduced in the textiles and apparel industry. This option may be extended to contract workers. The change will encourage employers to rely on regular fixed-term employment instead of contract worker specially when hiring workers for specific projects or meeting seasonal demand.
- Regarding startups definition, any enterprise less than five years old and having less than Rs 25 crore in turnover may be permitted to declare itself a start up with no subsidies in any form provided to the enterprise. This will ease the burden of compliance of a vast array of labour laws on enterprise and pave the way for greater job creation.

Industry and Infrastructure

- In its policy making role at the Centre, the Aayog has taken the initiative to identify numerous **sick Public Sector units for closure**. Action on 17 such units is under way. The Aayog has also identified several functioning units for strategic disinvestment.
- A comprehensive **National Energy Policy draft** is ready to be placed in public domain for wider consultation. Finance ministry must now move ahead with the actual sales of these units.
- It has also championed the launch of **Coastal Employment Zones** to accelerate the creation of well-paid jobs. It is also poised to soon draft a **Make in India Electronic Products Policy**.
- Quarterly presentations on progress on infrastructure by the NITI Aayog have played an important role in debottlenecking many important infrastructure projects.
- Empowered Committee on Innovative Projects under Aayog has helped pave the way for the launch of the **High Speed Rail** between Ahmedabad and Mumbai.
- The Aayog has also launched a large survey of 3,500 firms in collaboration with think tank IDFC Institute to measure the ease of doing business in different states.

CHALLENGES

- The Aayog is expected to serve as a source of new ideas and achieve convergence between the Centre and States for evolving a long-term vision for India. At the same time it is expected to coordinate among the various departments. In discharging these two assigned tasks, the Aayog will **overlap with the Inter-State Council**, which is a constitutional body, and the **office of the**

cabinet secretary that at present strives to achieve inter-departmental coordination. This could be tricky.

- **Accessing high-quality researchers** in multiple disciplines who can partner with policymakers.
- **Creating a willingness among policymakers to learn from evidence.** Last year, the government of Tamil Nadu entered into a partnership with the Abdul Latif Jameel Poverty Action Lab (J-PAL) to institutionalize the use of evidence in policymaking by rigorously evaluating innovative programmes before they are scaled up, strengthening monitoring systems and enhancing the officials' capacity to generate and use data. If the Tamil Nadu government can challenge its officials to find creative and rigorously tested solutions to reduce poverty, the government of India certainly can as well.
- To take care of the cared less segments of the Indian society and use the used less manpower in terms of **inclusive growth** is a challenge for NITI Aayog as we have careless and useless manpower which needs its measurement from time to time by some institution to be given the responsibility.
- The Aayog's success will be seen in coming up with a national vision based not on borrowed models but on an honest analysis of the hugely diverse ground realities in India and as a response to the aspirations of the rising middle class. There is, however, a **glaring omission of the Aayog's interaction with private corporate sector and civil society organisations.** This needs to be rectified as soon as possible.

WAY FORWARD

- To prove its mettle in policy formulation, the NITI Aayog needs to **prioritize from the long list of 13 objectives** with clear understanding of the difference in policy, planning and strategy.
- To build the trust, faith and confidence more than the planning commission, NITI Aayog needs **freedom of various kinds with budgetary provisions** not in terms of plan and non-plan expenditures but revenue and capital expenditure as the higher rate of increase in capital expenditure can remove infrastructural deficits at all levels of operation in the economy.
- To prove to be real alternative in strict sense, NITI Aayog needs to adopt alternative **(spiritual) economics** which promote 'needonomics' confining to needs and no to greed. Spiritual economics is a simple and practical formula for corporate sector to adopt corporate social responsibility (CSR) as 'Trusteeship'- a socio-economic philosophy.
- Platforms must be created to **connect stakeholders** so that they can learn from and coordinate with each other. For example, the States must meet each other in well-designed and well-conducted meetings, in which the Centre plays the role of active facilitator rather than issuer of money and instructions. *India should learn from China that has delegated policy making in a large number of States to foster competition and has witnessed remarkable results.* Such methods, introduced through the Total Quality Movement, were the accelerators of Japan's rapid development. Such methods for stakeholder collaboration are institutionalised in Germany and Sweden as well.
- If the PC is to be replaced by a serious research think tank, then it must have domain **expertise and competence** rather than political loyalty and bureaucratic seniority as the eligibility criteria for members' recruitment. Further, it need not be a large bunch of experts in the domains in which the country needs to improve. The solutions need not come from the expertise within the nodal institution. They will be more robust when they come from the intelligence of the entire system, in which there will be many "experts", some with theoretical knowledge and some with practical knowledge.
- Further, the governance structure of such a think tank is critical to its independence and success. It must be an **autonomous entity** that lies strictly outside government control.

CONCLUSION

A systematic analysis of what India needs today and international best practices suggests that NITI Aayog must be at the core in catalyzing development and growth. Such an independent research think tank comprising experts can provide careful analysis as well as give intellectual heft to innovative policy solutions. Such a think tank can also serve as an entity which fosters a new culture of critical thinking, openness, and debate. Given the diversity of performance and experiences of different State government, this think tank can also serve as a crucial platform for knowledge sharing between different States.

However, it must not drift from its core purpose, which is to “guide” the progress of the country and to “catalyse” faster learning, better coordination and faster implementation. States, Central ministries and others should go to this institution not because it has the power to give them money (which it will not) or because it has the authority to withhold and grant permissions (which it should not have, this being the prerogative of the executive). They should respect the institution because they value its foresight and the guidance it gives them for improving their own strategies and building capabilities. ***This is what an aspirational, richly diverse and democratic India needs in a Planning Commission replacement.***

International Experience with Bodies Similar to NITI Aayog

- Institutions promoting evidence-informed policymaking at the national level are increasingly gaining traction around the world. In 2010, UK PM David Cameron set up a ***Behavioural Insights Team***, also called the “nudge unit”, which later spurred a network of “What Works Centres”, established to improve the way government creates, shares and uses high-quality evidence for decision-making. The results have been impressive. The unit’s work has led to an increase in tax collection rates by altering the messages of reminder letters, boosted court fine payments by sending personalised text reminders etc.
- In 2013, the White House too set up a ***Social and Behavioural Sciences Team*** with an identical mission — to explore how social and behavioural insights can be used to design public policies that work better, cost less and serve citizens better.
- The initiatives of the UK and US governments mirror the larger movement in international development towards rigorous impact evaluations as well as greater use of empirical evidence and behavioural insights in designing social programmes. This comes from a realisation that despite decades of effort in designing and implementing anti-poverty programmes, there is little consensus on the most effective strategies for improving the lives of the poor.