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A midway censure

Faulty management of the reforms programme has led to serious problems, says **Uttam Gupta**

AFTER having been postponed twice, first in December 1994 and then in June 1995, the mid-term appraisal of the Eighth five year plan seems to be heading for an indefinite postponement. The much delayed full-fledged meeting of the Planning Commission scheduled for July 20, to consider the appraisal document did not take place. No fresh date has been indicated either.

Even assuming that the Planning Commission endorses it by September (which is unlikely), and allowing reasonable time for approval by the National Development Council, it can be taken up for consideration by Parliament in the winter session only. By the time Parliament approves it and the government finalises its plan of action for initiating the so-called mid-term correction, it would already be the end of the fourth year of the plan period — March 31, 1996.

The underlying philosophy of a mid-term appraisal is to review the progress with regard to mobilisation of resources by the central government, state governments and their respective agencies; utilisation of funds and achievement of physical targets.

Based on this, the Planning Commission is expected to recommend the course of corrective action to ensure that the various shortfalls experienced in the first half of the plan period are duly compensated during the second half in furtherance of the objective of fully achieving the plan targets.

In view of the unpardonable delay in finalising the mid-term appraisal and with just one year left for the plan period to be completed, it is anybody's guess as to what kind of corrective measures and, to what extent, would be implemented.

Moreover, the fact that 1996-97 happens to be the election year, the possibility of the recommended package being thrown to the winds is not ruled out. In fact, already the administrators are gearing the national exchequer to accommodate the host of populist schemes announced by the Prime Minister. After these pre-emptory allowances, hardly any funds would be available to make up for the shortfall.

An indication of what the mid-term appraisal draft may have to say is available from reports in a section of the press. As per the plan document, the plan was expected to be financed by borrowings to the extent of about 46 per cent, revenue surplus of about 8 per cent by the Government of India and state governments and 33 per cent through internal and extra budgetary resources of public sector enterprises. As against these, during the first three years of the plan period — 1992-93 to 1994-95 — even as borrowings have gone well beyond 50 per cent, in regard to the surplus from the current account, the shortfalls are unprecedented.

On a pro-rata basis, whereas the Centre and the states put together, were expected to generate a surplus of about Rs 21,000 crore during the first three years (Rs 35,000 crore for the five year period), they have ended up with a whopping deficit of about Rs 28,000 crore. Thus, vis-a-vis the plan target, there is an astronomical shortfall of Rs 49,000 crore. Needless to say, this has jeopardised investment and led to mind boggling shortfalls in achievement of sectoral targets.

Infrastructure is the worst sufferer. In power sector alone, the achievement is less than 50 per cent of the target. There are significant shortfalls in the social sector as well.

While analysing the reasons, the draft has reportedly focussed on the core issues of fiscal mis-management, faulty approach to development of infrastructure, especially power and the public sector restructuring programme, etc. Additionally, the Planning Commission has highlighted adverse trends in employment.

In doing so, whether or not the Planning Commission was overstepping its jurisdiction is debatable. However, the fact remains that faulty management of reforms has led to serious problems. For instance, competitive bidding and transparency in assigning power projects was recommended as far back as 1993; and yet, the government followed the MoU route. In the public sector, in sharp contrast to comprehensive substantial disinvestment programme, ad hocism and selling of government equity in bits and pieces, was the order of the day. Moreover, fiscal profligacy with emphasis on consumption expenditure continued even as projects cried for funds. Instead of looking into these issues objectively, even as the political bosses are determined to get the draft rewritten to avoid any criticism in an election year, the finance ministry has questioned the Planning Commission's findings on frivolous grounds.

The key objection raised by the finance ministry is with regard to the choice of 1991-92 as the base year for assessing the performance during the years of the Eighth plan period. Selection of 1991-92 as the base year is but natural. Simply because it happens to be the crisis period does not in any way dilute the merit of the comparisons. In fact, the government on its own (refer to the finance minister's budget speeches, economic survey, etc) has compared the situation on the foreign exchange front and rate of inflation adopting 1991-92 as the base year.

The ministry has not indicated as to what, in its view, should have been the base year. Assuming, for the sake of argument, this is 1992-93, being the first year of the eighth plan period, even then, the situation in respect of critical macro-economic parameters — fiscal deficit, money supply and level of public debt — has deteriorated during the subsequent two years. These have also attracted adverse comments from the IMF/World Bank and even international credit rating agencies.

In terms of facilitating timely mid-term correction, the appraisal draft may not have achieved the desired goal. However, it has unambiguously helped in bringing the most critical elements of economic reforms into sharp focus. Moreover, considering that these have been pointed out by none other than the Planning Commission, it would help in achieving a certain degree of accountability in the formulation and implementation of economic strategies.

The appraisal has served to expose the hollowness of the newly-found *mantra* that the market forces will automatically take care of development of infrastructure. With the adverse effects of the economic liberalisation programme becoming apparent, it should now be abundantly clear to policy makers that the country still needs a nodal agency for co-ordinating and monitoring development activity. The Planning Commission is clearly the ideal choice.

Against this backdrop, the role of Planning Commission in allocation of resources, coordination and monitoring cannot be over-emphasised. By giving its considered views and analysis of the economic reforms programme, the draft mid-term appraisal has done a commendable job. This process should be carried forward by providing for regular reviews. Finally, the process of plan formulaton, implementation and review needs to be liberated from the political and bureaucratic controls.