

## Chapter-7 FIVE YEAR PLANS

### **Introduction :**

7.1 Indian planning is an open process. Much of the controversy and the debates that accompany the preparation of the plans are public. The initial aggregate calculations and assumptions are either explicitly stated or readily deducible, and the makers of the plans are not only sensitive but responsive to criticism and suggestions from a wide variety of national and international sources. From original formulation through successive modifications to parliamentary presentation, plan making in India has evolved as a responsive democratic political process and the culmination of the same in the final document is an impressive manifestation of the workings of an open society. But by its very nature it also generates many problems from the point of view of mapping an optimal strategy for economic development.

### **History Of Planning in India & Origin of Five Year Plans:**

7.2 Though the planned economic development in India began in 1951 with the inception of First Five Year Plan , theoretical efforts had begun much earlier , even prior to the independence. Setting up of National Planning Committee by Indian National Congress in 1938 , The **Bombay Plan & Gandhian Plan** in 1944, **Peoples Plan** in 1945 (by post war reconstruction Committee of Indian Trade Union), **Sarvodaya Plan** in 1950 by Jaiprakash Narayan were steps in this direction.

7.3 Five-Year Plans (FYPs) are centralized and integrated national economic programs. Joseph Stalin implemented the first FYP in the Soviet Union in the late 1920s. Most communist states and several capitalist countries subsequently have adopted them. China and India both continue to use FYPs, although China renamed its Eleventh FYP, from 2006 to 2010, a guideline (guihua), rather than a plan (jihua), to signify the central government's more hands-off approach to development.

7.4 After independence, India launched its First FYP in 1951, under socialist influence of first Prime Minister Jawaharlal Nehru. The process began with setting up of Planning Commission in March 1950 in pursuance of declared objectives of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production and offering opportunities to all for employment in the service of the community. The Planning Commission was charged with the responsibility of making assessment of all resources of the country, augmenting deficient resources, formulating plans for the most effective and balanced utilisation of resources and determining priorities.

7.5 The first Five-year Plan was launched in 1951 and two subsequent five-year plans were formulated till 1965, when there was a break because of the Indo-Pakistan Conflict. Two successive years of drought, devaluation of the currency, a general rise in prices and erosion of resources disrupted the planning process and after three Annual Plans between 1966 and 1969, the fourth Five-year plan was started in 1969.

7.6 The Eighth Plan could not take off in 1990 due to the fast changing political situation at the Centre and the years 1990-91 and 1991-92 were treated as Annual Plans. The Eighth Plan was finally launched in 1992 after the initiation of structural adjustment policies.

7.7 For the first eight Plans the emphasis was on a growing public sector with massive investments in basic and heavy industries, but since the launch of the Ninth Plan in 1997, the emphasis on the public sector has become less pronounced and the current thinking on planning in the country, in general, is that it should increasingly be of an indicative nature.

## Outline of Various Five year Plans:

Plan	
First Plan (1951 - 56)  Target Growth : 2.1 %  Actual Growth 3.6 %	It was based on <b>Harrod-Domar Model</b> .
	Influx of refugees, severe food shortage & mounting inflation confronted the country at the onset of the first five year Plan.
	The Plan Focussed on <b>agriculture</b> , price stability, power and transport
	It was a <b>successful</b> plan primarily because of good harvests in the last two years of the plan. Objectives of rehabilitation of refugees, food self sufficiency & control of prices were more or less achieved.
Second Plan (1956 - 61)  Target Growth: 4.5% Actual Growth: 4.3%	Simple aggregative Harrod Domar Growth Model was again used for overall projections and the strategy of resource allocation to broad sectors as agriculture & Industry was based on two & four sector Model prepared by Prof. P C Mahalanobis. (Plan is also called <b>Mahalanobis Plan</b> ).
	Second plan was conceived in an atmosphere of economic stability . It was felt agriculture could be accorded lower priority.
	The Plan Focussed on <b>rapid industrialization- heavy &amp; basic industries</b> . Advocated huge imports through foreign loans.
	The Industrial Policy 1956 was based on establishment of a <b>socialistic pattern of society</b> as the goal of economic policy.
	Acute shortage of forex led to pruning of development targets , price rise was also seen ( about 30%) vis a vis decline in the earlier Plan & the 2 <sup>nd</sup> FYP was only <b>moderately successful</b> .
Third Plan (1961 - 66)  Target Growth: 5.6%  Actual Growth: 2.8%	At its conception, it was felt that Indian economy has entered a " <b>take-off stage</b> ". Therefore, its aim was to make India a ' <b>self-reliant</b> ' and ' <b>self-generating</b> ' economy.
	Based on the experience of first two plans (agricultural production was seen as limiting factor in India's economic development) , agriculture was given top priority to support the exports and industry.
	The Plan was <b>thorough failure</b> in reaching the targets due to unforeseen events - Chinese aggression (1962), Indo-Pak war (1965), severe drought 1965-66. Due to conflicts the approach during the later phase was shifted from development to <b>defence &amp; development</b> .
Three Annual Plans (1966- 69)  euphemistically described as Plan holiday.	Failure of Third Plan that of the devaluation of rupee( to boost exports) along with inflationary recession led to postponement of Fourth FYP. Three Annual Plans were introduced instead. Prevailing crisis in agriculture and serious food shortage necessitated the emphasis on agriculture during the Annual Plans.
	During these plans a whole new agricultural strategy was implemented. It involving wide-spread distribution of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation.
	During the Annual Plans, the economy absorbed the shocks generated during the Third Plan
	It paved the path for the planned growth ahead.
	Refusal of supply of essential equipments and raw materials from the

<p>(1969 - 74) Target Growth: 5.7% Actual Growth: 3.3%</p>	<p>allies during Indo Pak war resulted in twin objectives of “ <b>growth with stability</b> “ and “<b>progressive achievement of self reliance</b> “ for the Fourth Plan.</p> <p>Main emphasis was on growth rate of agriculture to enable other sectors to move forward . First two years of the plan saw record production. The last three years did not measure up due to poor monsoon. Implementation of <b>Family Planning Programmes</b> were amongst major targets of the Plan.</p> <p>Influx of Bangladeshi refugees before and after 1971 Indo-Pak war was an important issue along with price situation deteriorating to crisis proportions and the plan is considered as <b>big failure</b>.</p>
<p>Fifth Plan (1974-79) Target Growth: 4.4% Actual Growth: 4.8%</p>	<p>The final Draft of fifth plan was prepared and launched by D.P. Dhar in the backdrop of economic crisis arising out of run-away inflation fuelled by hike in oil prices and failure of the Govt. takeover of the wholesale trade in wheat.</p> <p>It proposed to achieve two main objectives: 'removal of poverty' (<b>Garibi Hatao</b>) and '<b>attainment of self reliance</b>'</p> <p>Promotion of high rate of growth, better distribution of income and significant growth in the domestic rate of savings were seen as key instruments</p> <p>Due to high inflation, cost calculations for the Plan proved to be completely wrong and the original public sector outlay had to be revised upwards. After promulgation of emergency in 1975, the emphasis shifted to the implementation of Prime Ministers 20 Point Programme. FYP was relegated to the background and when Janta Party came to power in 1978, the Plan was terminated.</p>
<p>Rolling Plan (1978 - 80)</p>	<p>There were 2 Sixth Plans. Janta Govt. put forward a plan for 1978-1983 emphasising on <b>employment</b>, in contrast to <b>Nehru Model</b> which the Govt criticised for concentration of power, widening inequality &amp; for mounting poverty . However, the government lasted for only 2 years. Congress Govt. returned to power in 1980 and launched a different plan aimed at directly attacking on the problem of poverty by creating conditions of an expanding economy.</p>
<p>Sixth Plan (1980 - 85) Target Growth: 5.2% Actual Growth: 5.7%</p>	<p>The Plan focussed on Increase in national income, modernization of technology, ensuring continuous decrease in poverty and unemployment through schemes for transferring skills(TRYSEM) and seats(IRDP) and providing slack season employment (NREP), controlling population explosion etc. Broadly , the sixth Plan could be taken as a <b>success</b> as most of the target were realised even though during the last year (1984-85) many parts of the country faced severe famine conditions and agricultural output was less than the record output of previous year.</p>
<p>Seventh Plan (1985 - 90) Target Growth: 5.0% Actual Growth: 6.0%</p>	<p>The Plan aimed at accelerating food grain production, increasing employment opportunities &amp; raising productivity with focus <b>on 'food, work &amp; productivity'</b>.</p> <p>The plan was <b>very successful</b> as the economy recorded 6% growth rate against the targeted 5% with the decade of 80's struggling out of the '<b>Hindu Rate of Growth</b>'.</p>
<p>Eighth Plan</p>	<p>The eighth plan was postponed by two years because of political uncertainty at the Centre</p> <p><b>Worsening Balance of Payment</b> position, rising debt burden ,</p>

(1992 - 97)	widening budget deficits, recession in industry and inflation were the key issues during the launch of the plan.
Target Growth 5.6 %	The plan undertook drastic policy measures to combat the bad economic situation and to undertake an annual average growth of 5.6% through introduction of <b>fiscal &amp; economic reforms including liberalisation</b> under the Prime Minister ship of Shri P V Narasimha Rao.
Actual Growth 6.8%	
Ninth Plan (1997- 2002) Target Growth: 6.5% Actual Growth: 5.4%	The Plan prepared under United Front Government focussed on <b>“Growth With Social Justice &amp; Equality “</b> Ninth Plan aimed to depend predominantly on the private sector – Indian as well as foreign (FDI) & State was envisaged to increasingly play the role of facilitator & increasingly involve itself with social sector viz education , health etc and infrastructure where private sector participation was likely to be limited. It assigned priority to agriculture & rural development with a view to generate adequate productive employment and eradicate poverty
<i>Tenth Plan</i> (2002 - 2007) <i>Target Growth</i> 8 % <i>Actual Growth</i> 7.6 %	Recognising that economic growth cant be the only objective of national plan, Tenth Plan had set <b>‘monitorable targets’</b> for few <b>key indicators (11) of development</b> besides 8 % growth target. The targets included reduction in gender gaps in literacy and wage rate, reduction in Infant & maternal mortality rates, improvement in literacy, access to potable drinking water cleaning of major polluted rivers, etc. Governance was considered as factor of development & agriculture was declared as prime moving force of the economy. States role in planning was to be increased with greater involvement of Panchayati Raj Institutions. State wise break up of targets for growth and social development sought to achieve balanced development of all states.
<i>Eleventh Plan</i> (2007 - 2012) <i>Target Growth</i> 9 % <i>Actual Growth</i> 8%	Eleventh Plan was aimed <b>“Towards Faster &amp; More Inclusive Growth “</b> after UPA rode back to power on the plank of helping Aam Aadmi (common man). India had emerged as one of the fastest growing economy by the end of the Tenth Plan. The savings and investment rates had increased , industrial sector had responded well to face competition in the global economy and foreign investors were keen to invest in India. But the growth was not perceived as sufficiently inclusive for many groups , specially SCs , STs & minorities as borne out by data on several dimensions like poverty, malnutrition, mortality, current daily employment etc .

The broad vision for 11<sup>th</sup> Plan included several inter related components like rapid growth reducing poverty & creating employment opportunities , access to essential services in health & education, specially for the poor, extension if employment opportunities using National Rural Employment Guarantee Programme , environmental sustainability , reduction of gender inequality etc. Accordingly various targets were laid down like reduction in unemployment( to less than 5 % among educated youth ) & headcount ratio of poverty ( by 10 %), reduction in drop out rates , gender gap in literacy , infant mortality , total fertility , malnutrition in age group of 0-3 ( to half its present level), improvement in sex ratio, forest & tree cover, air quality in major cities, , ensuring electricity connection to all villages & BPL households (by 2009) & reliable power by end of 11<sup>th</sup> Plan , all weather road connection to habitations with population 1000& above (500 in hilly areas) by 2009, connecting every village by telephone & providing broad band connectivity to all villages by 2012 .

The Eleventh Plan started well with the first year achieving a growth rate of 9.3 per cent, however the growth decelerated to 6.7 per cent rate in 2008-09 following the global financial crisis. The economy recovered substantially to register growth rates of 8.6 per cent and 9.3 per cent in 2009-10 and 2010-11 respectively. However, the second bout of global slowdown in 2011 due to the sovereign debt crisis in Europe coupled with domestic factors such as tight monetary policy and supply side bottlenecks, resulted in deceleration of growth to 6.2 per cent in 2011-12. Consequently, the average annual growth rate of Gross Domestic Product (GDP) achieved during the Eleventh Plan was 8 per cent, which was lower than the target but better than the Tenth Plan achievement. Since the period saw two global crises - one in 2008 and another in 2011 – the 8 per cent growth may be termed as satisfactory. The realised GDP growth rate for the agriculture, industry and services sector during the 11th Plan period is estimated at 3.7 per cent, 7.2 per cent and 9.7 per cent against the growth target of 4 per cent, 10-11 per cent and 9-11 per cent respectively.

The Eleventh Plan set a target of 34.8 per cent for domestic savings and 36.7 per cent for investment after experiencing a rising level of domestic savings as well as investment and especially after emergence of structural break during the Tenth Plan period. However, the domestic savings and investment averaged 33.5 per cent and 36.1 per cent of GDP at market prices respectively in the Eleventh Plan which is below the target but not very far.

Based on the latest estimates of poverty released by the Planning Commission, **poverty** in the country has declined by 1.5 percentage points per year between 2004-05 and 2009-10. The rate of decline during the period 2004-05 to 2009-10 is twice the rate of decline witnessed during the period 1993-94 to 2004-05. Though the new poverty count based on **Tendulkar Formula** has been subject of controversy , it is believed by the Committee that whether we use the old method or the new , the decline in percentage of population below poverty line is almost same.

On the **fiscal front** , the expansionary measures taken by the government to counter the effect fo global slowdown led to increase in key indicators through 2009-10 with some moderation thereafter.

The issue of **Price Stability** remained resonating for more than half

	of the Plan period. Inability to pass on burden on costlier imported oil prices might have constrained the supply of investible funds in the government's hand causing the 11 <sup>th</sup> Plan to perform at the levels below its target.
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*The growth targets for the first three Plans were set with respect to National Income. In the Fourth Plan it was Net Domestic Product. In all the Plans thereafter, Gross Domestic Product has been used*

### **Twelfth Five Year Plan (2012-17):**

7.8 The Twelfth Plan commenced at a time when the global economy was going through a second financial crisis, precipitated by the sovereign debt problems of the Eurozone which erupted in the last year of the Eleventh Plan. The crisis affected all countries including India. Our growth slowed down to 6.2 percent in 2011-12 and the deceleration continued into the first year of the Twelfth Plan, when the economy is estimated to have grown by only 5 percent . The Twelfth Plan therefore emphasizes that our first priority must be to bring the economy back to rapid growth while ensuring that the growth is both inclusive and sustainable. The broad vision and aspirations which the Twelfth Plan seeks to fulfil are reflected in the **subtitle: 'Faster, Sustainable, and More Inclusive Growth'**. Inclusiveness is to be achieved through poverty reduction, promoting group equality and regional balance, reducing inequality, empowering people etc whereas sustainability includes ensuring environmental sustainability ,development of human capital through improved health, education, skill development, nutrition, information technology etc and development of institutional capabilities , infrastructure like power telecommunication, roads, transport etc ,

7.9 Apart from the global slowdown, the domestic economy has also run up against several internal constraints. Macro-economic imbalances have surfaced following the fiscal expansion undertaken after 2008 to give a fiscal stimulus to the economy. Inflationary pressures have built up. Major investment projects in energy and transport have slowed down because of a variety of implementation problems. Some changes in tax treatment in the 2012–13 have caused uncertainty among investors. These developments have produced a reduction in the rate of investment, and a slowing down of economic growth.

7.10 The policy challenge in the Twelfth Plan is, therefore, two-fold. The immediate challenge is to reverse the observed deceleration in growth by reviving investment as quickly as possible. This calls for urgent action to tackle implementation constraints in infrastructure which are holding up large projects, combined with action to deal with tax related issues which have created uncertainty in the investment climate. From a longer term perspective, the Plan must put in place policies that can leverage the many strengths of the economy to bring it back to its real Growth potential.

7.11 Immediate priority is to revive the investor sentiment along with next short term action of removing the impediments to implementation of projects in infrastructure, especially in the area of energy which would require addressing the issue of fuel supply to power stations, financial problems of discoms and clarity in terms of New Exploration Licensing Policy (NELP)

7.12 Although planning should cover both the activities of the government and those of the private sector, a great deal of the public debate on planning in India takes place around the size of the public sector plan. The Twelfth Plan lays out an ambitious set of Government programmes, which will help to achieve the objective of rapid and inclusive growth. In view of the scarcity of resources, it is essential to take bold steps to improve the efficiency of public expenditure through plan programmes. Need for fiscal correction

viz tax reforms like GST , reduction of subsidies as per cent of GDP while still allowing for targeted subsidies that advance the cause of inclusiveness etc . and managing the current account deficit would be another chief concerns.

7.13 Achieving sustained growth would require long term increase in investment and savings rate . Bringing the economy back to 9 per cent growth by the end of the Twelfth Plan requires fixed investment rate to rise to 35 per cent of GDP by the end of the Plan period. This will require action to revive private investment, including private corporate investment, and also action to stimulate public investment, especially in key areas of infrastructure especially, energy, transport, water supply and water resource management. Reversal of the combined deterioration in government and corporate savings has to be a key element in the strategy.

#### **7.14 Monitorable Targets of the Plan :**

Twenty Five core indicators listed below reflect the vision of rapid, sustainable & more inclusive growth of the twelfth Plan:

##### **Economic Growth**

1. Real GDP Growth Rate of 8.0 per cent.
2. Agriculture Growth Rate of 4.0 per cent.
3. Manufacturing Growth Rate of 10.0 per cent.
4. Every State must have an average growth rate in the Twelfth Plan preferably higher than that achieved in the Eleventh Plan.

##### **Poverty and Employment**

5. Head-count ratio of consumption poverty to be reduced by 10 percentage points over the preceding estimates by the end of Twelfth FYP.
6. Generate 50 million new work opportunities in the non-farm sector and provide skill certification to equivalent numbers during the Twelfth FYP.

##### **Education**

7. Mean Years of Schooling to increase to seven years by the end of Twelfth FYP.
8. Enhance access to higher education by creating two million additional seats for each age cohort aligned to the skill needs of the economy.
9. Eliminate gender and social gap in school enrolment (that is, between girls and boys, and between SCs, STs, Muslims and the rest of the population) by the end of Twelfth FYP.

##### **Health**

10. Reduce IMR to 25 and MMR to 1 per 1,000 live births, and improve Child Sex Ratio (0–6 years) to 950 by the end of the Twelfth FYP.
11. Reduce Total Fertility Rate to 2.1 by the end of Twelfth FYP.
12. Reduce under-nutrition among children aged 0–3 years to half of the NFHS-3 levels by the end of Twelfth FYP.

##### **Infrastructure, Including Rural Infrastructure**

13. Increase investment in infrastructure as a percentage of GDP to 9 per cent by the end of Twelfth FYP.
14. Increase the Gross Irrigated Area from 90 million hectare to 103 million hectare by the end of Twelfth FYP.
15. Provide electricity to all villages and reduce AT&C losses to 20 per cent by the end of Twelfth FYP.
16. Connect all villages with all-weather roads by the end of Twelfth FYP.
17. Upgrade national and state highways to the minimum two-lane standard by the end of Twelfth FYP.
18. Complete Eastern and Western Dedicated Freight Corridors by the end of Twelfth FYP.
19. Increase rural tele-density to 70 per cent by the end of Twelfth FYP.

20. Ensure 50 per cent of rural population has access to 40 lpcd piped drinking water supply, and 50 per cent gram panchayats achieve Nirmal Gram Status by the end of Twelfth FYP.

### **Environment and Sustainability**

21. Increase green cover (as measured by satellite imagery) by 1 million hectare every year during the Twelfth FYP.

22. Add 30,000 MW of renewable energy capacity in the Twelfth Plan

23. Reduce emission intensity of GDP in line with the target of 20 per cent to 25 per cent reduction over 2005 levels by 2020.

### **Service Delivery**

24. Provide access to banking services to 90 per cent Indian households by the end of Twelfth FYP.

25. Major subsidies and welfare related beneficiary payments to be shifted to a direct cash transfer by the end of the Twelfth Plan, using the Aadhar platform with linked bank accounts.

### **Sectoral Pattern of Growth :**

7.15 The sectoral pattern of growth associated with the 8.0 per cent growth scenario is summarised in the table on following page. The Agriculture Forestry and Fishing Sector is projected to grow at 4 per cent, an improvement over the 3.7 per cent rate achieved in the Eleventh Plan. The Mining and Quarrying Sector grew by only 3.2 per cent in the Eleventh Plan, the growth rate being pushed down by negative growth of 0.6 per cent in 2011–12 reflecting problems in the iron ore sector, gas production and also coal. The Twelfth Plan assumes a substantial improvement with the growth rate averaging 5.7 per cent. The manufacturing sector decelerated in the course of the Eleventh Plan with a growth rate of only 2.7 per cent in 2011–12. The average growth rate in the Twelfth Plan period is projected at over 7 per cent which is a significant improvement over the situation in 2011–12 and 2012–13. city, gas and water supply are projected to grow at 7.3 per cent on an average compared with 6.1. per cent achieved in the Eleventh Plan. Construction, which grew at 7.7 per cent in the Eleventh Plan, is projected to grow at an average rate of 9.1 per cent. The other service sectors are projected to grow fairly robustly with Trade Hotels and Restaurants at 7.4 per cent; Transport, Storage and Communication at 11.8 per cent; Insurance and Business Service at 9.9 per cent, and, finally, Community and Personal Services at 7.2 per cent.

### **Public Sector Resources in the Twelfth Plan:**

7.16 There have been several important developments during the Eleventh Plan that have implications for financing of the Twelfth Plan. The Indian Economy resiliently faced the global financial crisis of 2008. However, slower growth adversely impacts growth in Centre's resources, particularly taxes. The Sixth Central Pay Commission award has been implemented. The 13th FC award for 2011–15 is under implementation with some changes in the fiscal responsibility and budget management framework targets. Service tax has emerged as a very promising source of revenue. Efforts are being made to introduce unified Goods and Service Tax (GST) in consultation with States. This will be a major reform of the indirect tax system. The projection of fiscal deficits based on Medium Term Fiscal Policy Statement 2012–13 indicates that debt resources for funding of GBS for the Twelfth Plan will be higher initially but is projected to decline gradually. The Centre's net borrowing which was 5.9 per cent of GDP in 2011–12 (RE) is estimated to decline to 5.1 per cent of GDP in 2012–13 (BE). The fiscal deficit as percent of GDP is further projected to decline to 4.5 per cent in 2013–14, 3.9 per cent in 2014–15, 3.2 per cent in 2015–16 and 3.0 per cent of GDP in the last year of the Twelfth Plan.



### Annual Growth Rate of GDP by Industry of Origin at Constant (2004–05) Prices

(Unit: Per Cent)

	Eleventh Plan period											Twelfth Plan period				
	2007–08	2008–09	2009–10	2010–11	2011–12	Average	2012–13	2013–14	2014–15	2015–16	2016–17	Average				
1	5.8	0.1	0.8	7.9	3.6	3.7	2.0	4.5	4.5	4.5	4.5	4.0				
Agriculture, forestry and fishing																
2	3.7	2.1	5.9	4.9	-0.6	3.2	1.0	5.0	7.0	7.0	8.5	5.7				
Mining and quarrying																
3	10.3	4.3	11.3	9.7	2.7	7.7	2.2	6.0	8.5	9.5	9.5	7.1				
Manufacturing																
4	8.3	4.6	6.2	5.2	6.5	6.1	5.2	7.5	8.0	8.0	8.0	7.3				
Electricity, gas and water supply																
5	10.8	5.3	6.7	10.2	5.6	7.7	8.0	8.0	8.5	10.0	11.0	9.1				
Construction																
6	10.1	5.7	7.9	11.5	6.2	8.3	5.5	6.0	8.0	8.7	8.7	7.4				
Trade, hotels and restaurant																
7	12.5	10.8	14.8	13.8	8.4	12.0	7.3	11.1	13.0	13.6	14.1	11.8				
Transport, storage and communication																
8	12.0	12.0	9.7	10.1	11.7	11.1	9.8	9.5	10.0	10.0	10.0	9.9				
Financing, insurance, real estate and business services																
9	6.9	12.5	11.7	4.3	6.0	8.3	7.3	7.2	7.2	7.2	7.2	7.2				
Community, social and personal services																
Total GDP	9.3	6.7	8.6	9.3	6.2	8.0	5.8	7.3	8.5	9.0	9.2	8.0				
Industry (2–5)	9.7	4.4	9.2	9.2	3.5	7.2	4.0	6.6	8.4	9.4	9.8	7.6				
Services (6–9)	10.3	10.0	10.5	9.8	8.2	9.7	7.6	8.3	9.4	9.7	9.9	9.0				

7.17 Thirteenth Finance Commission increased the devolution to the states from 30.5 per cent to 32 per cent of divisible pool and it covers the period up to 2014-15 , which includes the first three years of the twelfth Plan. The projections of resources for the Twelfth Plan have been made assuming 28.45 per cent of tax devolutions of the Gross Tax revenue. This has been assumed by factoring in the surcharges being phased out and keeping the same ratio beyond 13th FC period till the terminal year of the Twelfth Plan. This might change later after the recommendations of 14th FC are available.

7.18 The Twelfth Plan assumptions on tax resources of the Centre and States envisage revenue neutrality of GST although there might be positive spin-off effects of GST mainly through better tax compliance. The projection of GBS of the Centre indicates that it will grow from 5.13 per cent of GDP in 2012–13 to 5.22 per cent of GDP in 2016–17. The average GBS for the Central Plan in the Twelfth Plan period stands at 5.23 per cent of GDP as against 4.69 per cent of GDP realised in the Eleventh Plan. With the reforms being undertaken, the total subsidies, as a proportion of GDP, are projected to decline to 1.5 per cent by 2016–17.

7.19 The balance from current revenue (BCR) as percent of GDP was projected at 2.31 per cent for the Eleventh Plan which turned negative by (–)0.61 per cent. However, with good buoyancy in tax revenue and a decline in non-plan expenditure, BCR is estimated to be 1.88 per cent of the GDP for the Twelfth Plan. The imposition of the fiscal deficit ceiling ensures that borrowings, including net miscellaneous capital receipts, decline from 5.06 per cent of GDP in Eleventh Plan to 3.35 per cent in the Twelfth Plan.

7.20 **States Resources** : The fiscal deficit of the States as a whole remained below 3 per cent of GDP during the Eleventh Plan period. While prescribing different fiscal paths for individual States, the 13th FC has also set the fiscal deficits target of 3 per cent of GDP to be achieved by 2014–15 by all the States. Accordingly, the fiscal deficit limit of all States which has been a little over 3 per cent of the GDP in 2012–13 is projected to remain around 2.22 per cent during the Twelfth Plan period. This inevitably limits the scope for mobilising debt resources of the States, therefore, have to look at improving revenue realisation and controlling non-Plan expenditure.

7.21 The Aggregate Plan resources of the States and UTs including PSE resources have been projected to be Rs 37,16,385 crore at current prices .This comprises of Rs 28,58,599 crore of own resources (including borrowings) and Rs 8,57,786 crore of CA. UTs account for 3.88 per cent of the combined aggregate Plan resources of the States and UTs.

7.22 As a proportion of GDP, aggregate Plan resources of the States and UTs are projected at 5.45 per cent of GDP, registering an increase of 0.44 percentage points over the Eleventh Plan realisation .The BCR, which was Rs 2,74,400 crore at 2006–07 prices in the Eleventh Plan, is projected to increase to Rs 9,59,979 crore at current prices. This represents an increase of 0.39 percentage points of GDP over the Eleventh Plan. However, projections of resources of PSEs show a growth of 0.06 percentage points as compared with the Eleventh Plan. CA to the States remains almost at the same level as percentage of GDP.

7.23 **Sectoral Allocation of Resources** : Energy, Transport & Social Services account for about 70 % of the total outlay with the individual shares of 19% , 16 % & 35 % respectively and compared to 11<sup>th</sup> Plan their outlay increased by 110,96 and 112 % respectively.

### Overall Financing Pattern: Eleventh and Twelfth Plans

(₹ Crore at Current Prices)

Sources of Funding	Eleventh Plan Realisation			Twelfth Plan Projection		
	Centre	States and UTs	Total	Centre	States and UTs	Total
1 Balance from Current Revenues	-2,42,390	3,81,536	1,39,146	13,87,371	9,59,979	23,47,350
	(-11.97)	(22.11)	(3.71)	(32.01)	(25.83)	(29.16)
2 Borrowings including net MCR	17,51,691	7,52,815	25,04,506	21,81,255	15,18,301	36,99,556
	(86.50)	(43.62)	(66.77)	(50.33)	(40.85)	(45.96)
3 Net Inflow from Abroad	80,043	0.00	80,043	-	-	-
	(3.95)		(2.13)			
4 Centre's GBS (1 + 2 + 3)	15,89,344	-	15,89,344	35,68,626	-	35,68,626
	(78.48)	-	(42.37)	(82.35)	-	(44.33)
5 Resources of PSEs/Local Bodies	8,57,244	1,70,039	10,27,283	16,22,899	3,80,319	20,03,218
	(42.33)	(9.85)	(27.39)	(37.45)	(10.23)	(24.88)
6 State's Own Resources (1 + 2 + 5)	-	13,04,390	13,04,390	-	28,58,599	28,58,599
	-	(75.58)	(34.77)	-	(76.92)	(35.51)
7 CA to States and UTs' Plan	-4,21,458	4,21,458	-	-8,57,786	8,57,786	-
	(-20.81)	(24.42)	-	(-19.79)	(23.08)	-
8 Resources of the Public Sector Plan (1 + 2 + 3 + 5 + 7)	20,25,130	17,25,848	37,50,978	43,33,739	37,16,385	80,50,123

Source: Planning Commission.

### Resources of the Centre in Eleventh and Twelfth Plan

(as % of GDP)

Sources of Funding	Eleventh Plan Realisation	Twelfth Plan Projections	% Increases (+)/ Decreases (-)
1 Balance from Current Revenues	-0.61	1.88	2.49
2 Borrowings including net MCR	5.06	3.35	-1.71
3 Net Flow from Abroad	0.24	0.00	-0.24
4 Gross Budgetary Support to Plan (1 to 3)	4.69	5.23	0.54
5 CA to States and UTs' Plan	1.26	1.26	0.00
6 GBS for Central Plan (4 - 5)	3.43	3.97	0.54
7 Resources of PSEs	2.53	2.38	-0.15
8 Resources for Central Plan (6 + 7)	5.96	6.35	0.39

Source: Planning Commission.

### Eleventh Plan Realisation and Twelfth Plan Projection of Resources of States and UTs

(% of GDP)

Sources of Funding	Eleventh Plan Realisation	Twelfth Plan Projections	% Increases (+)/ Decreases (-)
1 Balance from Current Revenues	1.02	1.41	0.39
2 Resources of PSEs	0.50	0.56	0.06
3 Borrowings	2.23	2.22	0.01
4 States' Own Resources (1 to 3)	3.75	4.19	0.44
5 CA to States' and UTs' Plan	1.26	1.26	0.00
6 Aggregate Plan Resources (4 + 5)	5.01	5.45	0.44

Source: Planning Commission.

**Sectoral Allocation for Public Sector's Resources—Eleventh Plan (2007–12) Realisation and Twelfth Plan (2012–17) Projections**

(in ₹ Crore)

S. No.	Heads of Development	Centre				States and UTs				Centre, States and UTs						
		Budgetary Support		Total Outlay		Budgetary Resources		Total Outlay		Budgetary Resources		Total Outlay				
		Eleventh Plan	% Increase	Twelfth Plan	% Increase	Eleventh Plan*	Twelfth Plan <sup>†</sup>	% Increase	Eleventh Plan	Twelfth Plan	% Increase	Eleventh Plan	Twelfth Plan	% Increase		
1	Agriculture and Allied Activities	60,339	1,33,965	122.02	344	671	95.04	60,683	1,34,636	121.87	1,02,422	2,28,637	123.23	1,63,105	3,63,273	122.72
2	Rural Development	1,79,925	2,67,047	48.42	0	0	0	1,79,925	2,67,047	48.42	1,08,284	1,90,417	75.85	2,88,209	4,57,464	58.73
3	Special Area Programmes	0	0	0	0	0	0	0	0	0	42,817	80,370	87.71	42,817	80,370	87.71
4	Irrigation and Flood Control	2,325	17,212	640.30	1	0	0	2,326	17,212	639.98	2,27,008	4,04,800	78.32	2,29,334	4,22,012	84.02
5	Energy	43,374	98,541	127.19	4,60,709	9,87,456	114.33	5,04,083	10,85,997	115.44	1,80,188	3,52,468	95.61	6,84,271	14,38,466	110.22
6	Industry and Minerals	50,452	1,20,372	138.59	97,058	1,71,718	76.92	1,47,510	2,92,090	98.01	38,143	85,212	123.40	1,85,653	3,77,302	103.23
7	Transport	2,27,637	4,91,713	116.01	1,82,232	3,27,769	79.86	4,09,869	8,19,482	99.94	2,03,316	3,84,690	89.21	6,13,185	12,04,172	96.38
8	Communications	5,308	29,699	459.51	53,208	51,285	-3.61	58,516	80,984	38.40	0	0	0	58,516	80,984	38.40
9	Science, Technology and Environment	50,615	1,30,054	156.95	0	0	0	50,615	1,30,054	156.95	18,682	37,296	99.64	69,297	1,67,350	141.50
10	Economic Services	45,706	1,81,321	296.71	18	155	761.11	45,724	1,81,476	296.89	43,652	1,24,136	184.38	89,376	3,05,612	241.94
11	Social Services	4,92,408	11,90,416	141.75	63,672	83,845	31.68	5,56,080	12,74,261	129.15	6,41,496	13,90,582	116.77	11,97,576	26,64,843	122.52
12	General Services	9,795	50,500	415.57	2	0	0	9,797	50,500	415.46	45,800	57,459	25.46	55,597	1,07,959	94.18
	<b>Total</b>	<b>11,67,884</b>	<b>27,10,840</b>	<b>132.12</b>	<b>8,57,244</b>	<b>16,22,899</b>	<b>89.32</b>	<b>20,25,128</b>	<b>43,33,739</b>	<b>114.00</b>	<b>16,51,808</b>	<b>33,36,068</b>	<b>101.96</b>	<b>36,76,936</b>	<b>76,69,807</b>	<b>108.59</b>

*Note:* \* Sectoral outlays for states/UTs are based on data given by states. The total of all states arrived from sectoral outlays differs from the total given in Table 3.9 due to several reasons including accounting differences for some scheme of Central Assistance and differences in data provided by states on resources side and outlay side.

<sup>†</sup> Excludes IEER of SPSEs and Local Bodies.

**7.24 Creation of NITI (National Institution For Transforming India) Aayog :** Planning Commission set up on the 15th of March, 1950 through a Cabinet Resolution was replaced by NITI Ayog through another such resolution on 1<sup>st</sup> January, 2015. Previously, the Planning Commission played a predominant role in determination of Annual Plans & transfer of Plan funds to State Govts, a work now being undertaken by Ministry of Finance. However all that is set to change with constitution of NITI Aayog which has been mandated to work towards fostering cooperative federalism through structured support initiatives and mechanisms with the States on a continuous basis, recognizing that strong States make a strong nation. An important evolutionary change from the past will be replacing a centre-to-state one-way flow of policy by a genuine and continuing partnership with the states. In this sense, the Planning Process in India , is poised for a change. The Chief Minister's Sub-group on rationalization of Centrally sponsored Schemes (CSS) has recommended that the number of CSS should be reduced, states should be given more flexibility in implementation of the schemes, CSS be divided into core and optional schemes along with many other recommendations related to simplification in release of funds, certainty about availability of funds under these schemes in medium term etc.

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