

TOWARDS SOCIAL TRANSFORMATION

APPROACH TO
THE EIGHTH FIVE YEAR PLAN
1990-95

MEETING OF THE
NATIONAL DEVELOPMENT COUNCIL

18-19 June 1990



PLANNING COMMISSION
GOVERNMENT OF INDIA
MAY 1990

Draft

TOWARDS SOCIAL TRANSFORMATION

APPROACH TO
THE EIGHTH FIVE YEAR PLAN
1990-95

MEETING OF THE
NATIONAL DEVELOPMENT COUNCIL

18-19 June 1990



PLANNING COMMISSION

GOVERNMENT OF INDIA

MAY 1990

Draft

CONTENTS

	Page

I. Introduction ..	1
II. Reorientation ..	2
- The Need for Reorientation ..	2
- Objectives, Scope and Key Elements.	9
III. Right to Work ..	11
IV. Rural Development ..	12
V. Decentralisation and Integrated Area Planning	14
VI. Agriculture ..	19
VII. Urban Poverty and Unemployment ..	23
VIII. Social Development	27
- Women and Development ..	27
- Other Vulnerable Groups ..	30
- Education ..	33
- Health ..	35
- Food and Social Security ..	37
IX. Population ..	39
X. Science and Technology ..	41
XI. Environment ..	43
XII. Industry: Policy and Priorities ..	45
XIII. Infrastructure ..	55
XIV. Fiscal Measures ..	58
XV. Exports and International Trade Policy	61
XVI. Summing Up ..	65

PLANNING COMMISSION

TOWARDS SOCIAL TRANSFORMATION

APPROACH TO THE EIGHTH FIVE YEAR PLAN, 1990-95

Introduction

The people of India have once again shown great democratic awareness. They have signalled their powerful desire for change. Their mandate calls for an alternative model of development within the framework of national planning. The kind of development we have had has led to growing disparities and inequities, a felt sense of injustice and oppression. This, in turn, has produced widespread discontent and unrest that have fanned the forces of violence and disorder. Certain sections have also become vulnerable to obscurantist, communal appeals. This has aggravated the sense of frustration and, in its wake, coercion by the state apparatus. Attention to glaring socio-economic issues and engagement in a rational political discourse to resolve outstanding problems have suffered in consequence.

2. There is urgent need to remove the sources of discontent and unrest by attending to unemployment, illiteracy, ill-health and decline in living conditions of the poor and vulnerable sections. There is equal need to create not merely a just social order but also one that is perceived to be just. Only on this basis can we lay the foundations of peace and restore to the social fabric its integrity and self-confidence.

3. All over the world the people are on the rise, strongly expressing their democratic aspirations and seeking a life that

can be lived in peace, security and dignity both of the individual and of the community. No society that harbours gross inequalities and deep schisms can meet these basic urges. The development strategy that seeks to respond to this urge in the present context must go beyond declamations about "growth with justice". The development patterns and processes have to be explicitly oriented to enabling everyone to have adequate employment, afford at least the minimum desirable requirement of food, clothing and shelter, and have access to educational, health, child care and other related services.

4. Meaningful development consists in mobilising the skills, strength and creative capabilities of the masses of the people and securing their active participation. The reconstituted Planning Commission has been reviewing the approach to the Eighth Plan from this viewpoint in full awareness that even after four decades of planning, the task of ensuring full employment and even a moderate minimum standard of living to everyone remains unfulfilled. The attainment of these basic tasks must be the central concern of development strategy in the Nineties.

Reorientation

The Need for Reorientation

5. In terms of the overall growth rate, the performance of the Indian economy in recent years is estimated to have substantially improved and come close to the target envisaged. Notwithstanding this, there are grounds for serious concern at the emerging patterns of development. Of particular importance are the following:

- i) There have been significant changes in the structure of GDP. The large reduction in the share of the agricultural sector has been accompanied by only a marginal reduction in the proportion of people dependent on this sector. Consequently, the disparities between agriculture and non-agriculture sectors in terms of output (and incomes) per head have widened.
- ii) There has also been an accentuation of the dichotomy between rural and urban areas and of disparities between different parts of the country and also between different social groups, wage labourers and property owners, workers in organised and unorganised sectors, and men and women.
- iii) The near stagnation in the per capita availability even in statistical terms of most basic consumer goods (such as foodgrains, sugar and gur and cotton cloth) relative to the growth of goods and services which figure prominently in the consumption of the relatively well-to-do and largely urban segments.
- iv) Overall employment has grown at a slower rate than labour force. The high and, in some regions, rising levels of unemployment and underemployment; the persistence of low, if not declining, real wage rate; and the fact that a vast majority of wage labourers in rural and urban areas are either not covered by minimum wage legislation or do not in practice get the minimum wages prescribed by law; and the helplessness and vulnerability of such people in the absence of effective protection from trade unions and

local authorities.

- v) The progressive decline of employment in traditional crafts and industries, which have been a source of livelihood for millions of people and have contributed a significant share to exports ; and the fact that the government's policies have not been successful in fostering their growth.
- vi) The failure of organised industries, despite growth of output, to provide additional employment commensurate with investment; the loss of thousands of jobs due to sickness in industry; and the reduction of employment opportunities on account of inroads into the traditional labour-intensive lines of production by more capital-intensive techniques (e.g., cloth).
- vii) The relatively slow overall growth of agricultural production and the fact that even this is concentrated in certain parts of the country. Over a sizeable part of the country, agricultural output has not kept pace with the growth in population.
- viii) The unacceptability - from the social, economic and ecological viewpoints - of the kind of consumption patterns which have been encouraged by maldistribution of income, compounded by recent policies on imports of technology and components and fiscal measures, favouring the growth of production of elitist consumer goods.
- (ix) Economic growth has been accompanied by neglect and degradation of the environment and uncontrolled exploitation of natural resource base.

(x) The failure to achieve a perceptive reduction in the population growth rate and the inadequacy of the present strategies to contain the demographic pressures.

6. The new mandate rightly stresses the need to correct these distortions and to reorient development policy in such a way that it gives primacy to the immediate and urgent needs of the poor, namely, employment opportunities to all at minimum wages and access to adequate means of livelihood and skills, as also supplies of food, education, health and child-care services, and other basic necessities, such as housing. The guarantee of right to work, reserving at least half the public outlays for the benefit of rural areas, and emphasis on village and small scale industries to produce goods and services for mass consumption using labour-intensive techniques, reflect these concerns.

7. The new approach envisages decentralisation of the planning process. It involves not only a reorientation of the focus and priorities of planning, but also in its processes and mechanisms. The process will be enriched and made more effective by involving mass of the people in planning and implementation through democratic decentralisation and a closer association of the Planning Commission with the state planning organisations. The state Planning agencies will need to interact closely with institutions of democratic decentralisation in rural and urban areas.

8. In attempting to give concrete shape and content to this general approach, it is, however, essential to bear in mind the reality of severe internal and external resource constraints

arising from the following factors:

- The overall rate of domestic savings has not risen in the measure projected . And, indeed, It might have declined. The record in respect of public savings is particularly poor.
- At the beginning of the decade of eighties, the Centre and the States together had a surplus, even if modest, on their revenue accounts. But this situation has changed dramatically. The revenue account went into deficit in 1982-83 and the magnitude of deficit has increased progressively. The deficit of the Centre reached Rs.12,436 crores in 1989-90. The government is borrowing increasingly large amounts to meet even its current expenditure.
- The credit system has been subject to strain owing to complex credit rationing, differential interest rates as an administrative means of helping particular groups and, more importantly, owing to expansion in volume unrelated to actual savings either by individuals or by the government.
- The public enterprises having failed to use resources efficiently and to generate the expected (despite substantial price revisions for their products and services), even the moderate growth of public investment has had to be financed mostly through borrowings from the public and from the Reserve Bank. Internal public debt has grown much faster than projected. This, together with the raising of interest rates on market borrowing, has led to a phenomenal rise in interest payments.

Most public programmes have failed to plug leakages and waste. This has mounted avoidable pressure on resources.

- Dependence on borrowings from the Reserve Bank has reached alarming proportions and the overall deficit of the Centre is estimated to exceed Rs. 11,750 crores in 1989-90; about 16.5 per cent of the Seventh Plan public sector outlay has been financed in this manner as against 7.8 per cent envisaged originally.

- The large and growing volume of unaccounted money has created a parallel economy outside of, and inimical to, the planning system.

9. The position on the external account has also deteriorated:

- The deficit on the current account of the balance of payments which rose moderately in the early Eighties (from \$ 2.1 billion in 1980-81 to \$ 2.4 billion in 1984-85) has nearly doubled during the Seventh Plan.

- Foreign exchange reserves have declined sharply to a little over \$ 3.3 billion (equivalent to about 7 weeks imports) at the end of the Seventh Plan from \$ 6.5 billion (equivalent to 20 weeks' imports) in the beginning of the Plan.

- Foreign indebtedness has more than doubled (in terms of US dollars and now exceeds around \$ 58 billion (inclusive of non-resident deposits). The terms of the borrowings having hardened, the total debt service ratio is estimated in 1989-90 to have risen steeply to around 28 per cent of the current receipts. The danger of a debt trap, both internal and external, is real.

10. The average rate of inflation over the last few years has been high, particularly for the common people. The economy

cannot take continued large deficit financing without further aggravation of inflationary and balance of payment pressures.

11. Thus, we are not writing on a clean slate. The present state of the economy and society being the result of a particular course of the development process, it will take time to change in its basic characteristics. So will the correction of the ecological damage and the erosion of the natural resource base of the rural economy. Past decisions in respect of borrowing policy and government spending have continuing implications for resource generation as also for the claims on those resources for several years ahead. With the fiscal system and the balance of payments being under such severe stress, the margin for manoeuvre in the coming few years is limited. This makes it all the more necessary to undertake a close scrutiny of existing expenditures to accommodate new commitments. Accordingly, the emphasis has to be more on restructuring both economic priorities and the pattern of spending as well as on getting much more out of what is spent than on larger financial outlays. The public will need to be taken fully into confidence in articulating the rationale, the possibilities and the processes of this restructuring.

12. The prevalent pattern of production and employment has to be altered through changes in priorities in respect of new investments. A shift in investment allocations should be accompanied by more direct measures to bring about a more even distribution of income across space and between classes. It will also be necessary to restructure governmental institutions to

serve these objectives. All this calls for political determination to act along a number of fronts simultaneously.

13. The process of reshaping the economy must be considered and implemented in full awareness that investment strategies, production patterns, income distribution and institutions are inter-related; that some changes take a shorter time and/or are easier to accomplish than others; and that there are hard choices to be made. Keeping these considerations in view, this paper outlines a new approach reflecting the aims and concerns contained in the new mandate. Once the broad approach is accepted, the size, sectoral allocations, output targets and other dimensions of the Eighth Plan will be elaborated and presented in the Plan document. We would, however, caution against placing excessive importance on these aspects and emphasise the need at this stage to focus attention sharply on the changes in the "policy" and "institutional" environment needed to correct the distortions and failures of the past. Without clarity on the latter, quantitative projections and targets tend to be mechanical and distract attention from the more important issues.

Objectives, Scope and Key Elements

14. The basic objective is to ensure that the needs of ordinary people and the quality of their life become the central focus of planning even as the Plan seeks to promote rapid overall development and diversification of the economy and to strengthen the infrastructural base. Specifically, the state must assume primary responsibility to generate adequate employment in the

economy and to ensure a basic standard of living to every one, specially the poor. The plans must also be sensitive to the needs of ecologically sustainable development.

15. A comprehensive, integrated view of the economy and of the use of physical, human and financial resources at different levels of government and in the private sector is essential. It is the task of planning to make sure that allocation and use of resources reflect the overall social concerns and priorities in a long term perspective. It should also monitor progress closely in order to signal deviation in performance from the plan whenever it occurs and suggest corrective action.

16. The process of planning and implementation will be modified so as to provide greater scope for the people, through democratically run institutions of the local government as well as voluntary organisations, to articulate and press for their needs. This will give them an opportunity and an incentive to mobilise local resources and shape the development content of programmes to better serve these needs. More generally the state will allow the skills and creative capabilities of the people in all sectors of the economy to be used without being fettered by irksome state controls. This process has to unfold itself within a framework of public policy and a system of federal, decentralised institutions.

17. The institutional changes envisaged call for purposeful and unrelenting efforts. Democratic decentralisation, which is at the heart of this, will need to cover both political and economic processes. This will require political will as also sustained pressure from people's organisations. It is well to recognise

that all this will take time to take roots and further that the pace is likely to vary from region to region.

Right to Work

18. The right to work - which constitutes the centre piece of the reorientation of planning - implies a full employment strategy. As a part of this strategy, the state should undertake to guarantee employment and to enforce minimum wage in rural as well as urban areas. The viable way to achieve this aim on a sustained basis is to make sure that growth is widely distributed across regions and sections of the population and is of a kind which can absorb the increases in the labour force and the backlog of the unemployed in different parts of the country. Large numbers of people who participate but intermittently in economic activity are also an integral part of the productive process. Their status as "productive workers" needs to be explicitly recognised.

19. In operational terms the problem is primarily one of tackling underemployment and unemployment in rural areas. The problem exists in urban areas also but is smaller in magnitude and is of a different character. The problem of educated unemployed is prominent in urban areas. Migration from rural areas to cities in search of employment, the other important contributory factor to urban unemployment, will be mitigated by larger opportunities for gainful employment to be created in rural areas.

20. For achieving full employment, the pattern of investment has to undergo substantial shifts from high capital/ labour to low

capital/labour activities except in well-identified areas of infrastructure, key intermediate manufactures and some high-tech industries. There are many sectors or sub-sectors in which the pattern of investment can be so reordered as to maximise the use of labour. Along with such policy changes a drastic restructuring of decision-making and planning process in rural and urban areas, with greater emphasis on area planning and creation of conditions for integrated and efficient implementation of such plans would also be called for. To the extent and till such time that employment generated through the normal development process does not adequately meet the requirements of those seeking work, a special programme of guaranteed work to the unemployed would be necessary.

Rural Development

21. Compared to urban areas, the rural areas, which contain three-fourth of the country's population, have a much lower level of income and consumption per head as well as much poorer access to education, health, transport and other essential services. Rural-urban disparities seem to be widening. The government is, therefore, committed to giving much greater emphasis to rural development. Restructuring of agrarian relationships will be crucial to rural transformation. Steps will be initiated to review and reformulate the land legislations and ensure effective implementation. The inclusion of land reform laws in the Ninth Schedule of the Constitution is a step in this direction. Land reforms should encompass various aspects of land relationships, such as tenancy, homesteads, consolidation of holdings, land ceilings and distribution of surplus land including land at the

disposal of the government. The land so provided to the poor must be developed to make it fit for cultivation and the owners encouraged to undertake various activities for cultivation on a group basis. So far as tribal lands are concerned, there should be prohibition on its sale or transfer to non-tribals. In the context of land reforms, proper maintenance and improvement of land records assume added importance.

22. It is also envisaged that the proportion of development outlays on schemes benefiting the rural population must be significantly raised, the target being 50 per cent. Investments benefiting the rural population include not only outlays on programmes for agriculture and irrigation, village industries, rural schools, hospitals and roads, but also investments to provide inputs for the rural economy (such as fertilizers, pesticides, diesel oil and electricity) as also investments in transport and other infrastructure which facilitate better distribution of inputs and marketing of rural produce. Whatever the inherent difficulties of estimating precisely how much of the investment benefits the rural economy, it is important to ensure that the planning process results in the proportionate allocation for this purpose being significantly increased over the present levels. In the process care must be taken to avoid any aggravation of inequalities within rural areas, or of the rural-urban dichotomy.

23. While greater investment of resources in rural development programmes will help, far more important is a conscious effort to gear such investment to expanding and diversifying the productive

base of the rural economy. Investment must also help improve the facilities for housing, education, health, child care and other essential services which have a bearing on the quality of life, on the population growth rate as well as on the productivity of the rural people. The investment process has to be so managed that the growth of productive employment and incomes becomes much more widespread and diffused across regions. The needs of poor and stagnant regions must, therefore, be given prior claim both in allocating financial resources and in providing technical support.

24. A considerable amount of public resources is already being spent on a variety of rural development and anti-poverty programmes. But their impact and effectiveness are seriously compromised by the fragmentation of programmes; contradictions and overlap among them; failure to relate programmes to needs and capabilities of particular regions; the almost exclusive reliance on Central and State bureaucracies; the use of these programmes as instruments of political patronage; their pre-emption by entrenched elites; and the pervasive leakages. These trends have to be reversed and distortions corrected. What we need is not only adequate financial resources but also a basic reorientation of the way the programmes are conceived, planned and implemented.

Decentralisation and Integrated Area Planning

25. Many of the deficiencies of the existing programmes can be corrected by transferring a substantial part of the responsibility for planning and implementation of economic and social development programmes (minor irrigation, soil ad moisture conservation, local flood proofing works, primary education,

health, drinking water and housing) to elected, representative institutions of the local government. The necessary financial resources and the staff should be brought under their jurisdiction. Each village or block panchayat and district-level institution will then have direct command over a sizeable volume of finance and the freedom and flexibility to decide how best it can be used for local development. This would release rural development programmes from the stranglehold of standardised "schematic" projects conceived centrally, as well as from the waste and duplication inherent in the present highly fragmented scheme-wise approach. The people of each local area, particularly women, will be enabled to participate in the determination of priorities, to keep a check on the implementation of programmes and maintain and manage the assets created.

26. The local area plans at the village or panchayat level will first aim to expand employment, production and income in various economic activities. The resources and the skills of male and female workers would be fully mobilised for this purpose. The focus would be on ensuring socially gainful work rather than relief work, which ad-hoc employment programmes often degenerate into. The complexities of economic processes and the multiplicity and time-profile of activities undertaken by poor households will need to be properly appreciated in designing and operating employment-intensive area development programmes. An important objective would be to strengthen and conserve local skills and resource base which provide life-support (food, water, fodder, fuel, fibre, raw materials for artisans and building materials)

to the rural population, especially the poor.

27. Planning on an area basis would also encompass the processes of rural-urban linkages, particularly in the vast rural hinterlands. It must be recognised that the large number of small towns are and should increasingly be linked with the neighbouring villages in terms of provision of services and inputs on the one hand, and utilising rural produce and providing employment to workers from villages, on the other. Area plans must explicitly recognise such rural-urban continuum and promote a balanced employment-oriented development of rural areas. They must be coordinated with the policies for local industrial and other promotional activities for economic diversification.

28. Ultimately, the process of local area planning can be effective only if it is done by elected representatives accountable to the people. Hence the crucial importance of revitalising Panchayat Raj institutions and making periodic elections to them mandatory. Equally important will be protection against intervention from higher levels of political leadership of the government and bureaucracy, and from commercial and financial interests from outside. In order to make the elected bodies truly representative, these institutions and their management committees should have adequate representation for women and vulnerable sections of society, such as Scheduled Castes and Scheduled Tribes. They should be endowed with adequate responsibilities to enable them to function as units of self-government, politically and economically.

29. The process will also call for active involvement of grassroot activists and voluntary groups. The proposed

restructuring of rural development programmes is not to be left to the government alone, not even to elected bodies. A substantial contribution will have to come from social action groups and organisations that are in constant touch with the people, particularly with marginalised and deprived sections, so that the relevant institutions remain accountable and responsive.

30. The experience in some States, including Karnataka and West Bengal, has shown the potential of democratic decentralisation for imparting a new dynamism in rural areas: It has generated pressures for improvement in social services as in the working of schools and health centres. Questions concerning the kind of development projects relevant to the local needs and their relative priorities are actively discussed at that level. And there are several instances of substantial additional resource mobilisation by Panchayats to implement projects they consider to be of high priority. Potentially this arrangement can help increase the effectiveness of various programmes aimed at women and children - such as maternal and child health services, integrated child health services, adult education and nutrition - by conveying these services through a responsive local agency. It would be necessary to ensure that that is sensitised to the needs of women, specially from the vulnerable groups.

31. The emphasis on local area planning implies a significant change in the role of higher level (State and Central government) agencies in relation to local development plans. Their direct involvement in formulating and implementing such plans will need to be drastically reduced. Instead they will have to give, or help

secure, the necessary expertise and infrastructural and technical support; evaluate the emerging experience; and facilitate interaction among the local government institutions to learn from each other's successes and failures. Restructuring and reorienting the administrative system at different levels as well as re-training of the personnel to work in tune with its ethos would be essential. It will not be an easy task. There may be no single solution, but there is already enough experience to guide these efforts.

32. While the decentralisation of government is crucial, the process of shifting over to integrated local area planning need not wait for elected bodies to be in place everywhere. The allocations for employment-oriented programmes [integrated rural development programme (IRDP), Jawahar Rozgar Yojana (JRY)] as Centrally Sponsored schemes should be transferred to states on the condition that they be spent specifically for local area planning in rural areas. This will be subject to earmarking of funds selectively for schemes of high national importance and regular monitoring of performance. It should be further ensured that the funds are, in turn, transferred en-block by the States to the Panchayat Raj institutions where they exist and, where they are not in place to the District Rural Development Agency pending the creation of elected bodies within an agreed time frame, not exceeding a year. Decentralisation is pivotal to the successful fulfilment of the strategy of full employment.

33. It is also necessary to ensure that a substantial part of the resources for rural development are made available to local bodies in an untied manner to enable them, along with resources

they mobilise themselves, to undertake systematic planning and implementation of area development programmes. It is also equally important to make sure that regions or districts which have a higher concentration of poor and the unemployed, or otherwise backward in indices of social development get relatively more resources and support. The precise modalities of these arrangements need to be worked out in the light of the experience of states which have already attempted such decentralisation and of differential resource allocation as between blocks and districts.

34. The emphasis on local area planning would mean that the state/central governments will concentrate on setting broad socio-economic goals and overall priorities, devise policies and undertake programmes affecting more than one district or state; coordination of programmes which are part of large land, water and transport projects; on compilation of data and evaluation of experience; and on research and training. And there are, importantly, the programmes for infrastructure (including power, transport and major irrigation), industries, higher education and training, in which the State Governments and the Centre will continue to play a leading role. These programmes are clearly important for sustained industrialisation, progressive upgradation of technology and dispersal of economic activity.

Agriculture

35. The reorientation of rural development programmes along these lines should help in promoting a regionally more broad-based pattern of agricultural growth, that is, ending the neglect

of vast rainfed and dryland areas. It provides the framework in which local land and water development works, including watershed development programmes, can be planned and implemented more effectively - a process which affords excellent opportunities for creative involvement of technical and educational institutions and voluntary organisations in the area. Acceleration in the overall growth rate of agriculture is essential for meeting the growing needs of food and fibre that the development strategy oriented to the needs of the poor and the unemployed and the general increase in population would call. It would be necessary also to step up agricultural exports. The required expansion in output will need to be achieved through greater attention and resources being devoted to the development of rainfed tracts which constitute 70% of the country's cultivated area; making much more effective use of irrigation facilities, both existing and newly created, so that the full potentialities for yield improvement can be realised; and maintaining a continuous flow of economically viable improved techniques, specially for the rainfed tracts. More effective institutions for proper management of land and irrigation systems are essential. The concept of planning for agriculture in terms of homogenous agro-climatic areas needs to be intensified and institutionalised in such a manner that it serves at once as a source of expert guidance for local planning and also as a framework for integration of the inter-related activities of different agencies and in different regions.

36. Among the issues which need attention are:

- the adequacy - in terms of orientation, resources and

results - of various research programmes especially in relation to rainfed agriculture;

- a critical assessment of the programmes for dryland agriculture, particularly in the light of the watershed projects taken up in the recent past;

- evolving a more effective research and action strategy for these areas;

- the nature of the constraints on productivity growth under rainfed cultivation in relatively high rainfall areas; and

- the performance of irrigated areas in terms of efficiency of water use and growth in productivity.

37. Irrigation is essential to increase cropping intensity and land productivity. It also adds substantially to rural employment opportunities. The expansion and improvement of irrigation facilities will, therefore, continue to be a key ingredient of agricultural and rural development programmes. During the Eighth Plan, a major effort will be made to restore and improve minor irrigation works and to encourage construction of new minor works. In the case of major and medium projects, priority will be given for speedy completion of on-going schemes rather than for starting new ones; to speedier utilisation of potential already created, and for modernising existing systems. Conjunctive use of ground water with surface water needs to be encouraged. Measures to improve quality of water management, including more active farmer participation, will be intensified.

38. There is need to improve the delivery systems for farm inputs including credit. The agricultural credit system has to be

strengthened and streamlined for extending timely and adequate credit to the farmer at reasonable rates of interest. The above measures, together with more effective transfer of technology and improved rural infrastructure will continue to be the key elements of agricultural strategy. Attention needs to be given to encouraging, as widely as possible, diversification of agriculture into higher value-adding and more remunerative enterprises - such as market gardening, horticulture, sericulture, poultry, fishery, dairying and animal husbandry. Greater efforts at strengthening marketing and agro-processing facilities would be essential to support this process. Industry must be encouraged to forge effective links with the large and growing agricultural economy. Environmental concerns will be kept in mind while developing plans for agricultural/rural development. The programmes must meet the conditions of economic viability as well as ecological soundness. Cost of administration will need to be significantly brought down.

39. In research, greater thrust will be on the new, emerging research areas - such as biotechnology, agricultural meteorology and remote sensing - which offer great potential for increasing and diversifying output, improving quality and reducing costs. Researchers should be guided by the value and relevance of research to the farmers and other clients, and the mechanism for feedback from the users ought to be made more efficient. The administrative costs in research are now unacceptably high in most research institutions. It is imperative that these costs are brought down and research activities made more cost effective and productivity-oriented.

40. Agricultural price policy has a crucial bearing on farmers' income and on the incentives for adoption of improved technology and increased production and rural capital formation. Price policy in the Eighth Plan will be informed by these concerns, and in particular will seek to protect farmers from wide price fluctuations, to ensure that the price which they receive leaves an adequate margin over costs; and so to manage relative prices as will stimulate a more efficient use of resources and improve the terms of trade in favour of the farmers. Greater freedom to export will also be allowed so that the export-import policy is not biased against agricultural producers.

41. The challenge of "right to work" cannot be met just with the resources of the Central and State governments, which are in any case under great pressure. There is the need to create conditions for the local population in each village to contribute to development resources. Experience shows that an important incentive is that local contributions are utilised entirely and palpably for the development of the contributors' own village, according to the priorities set by them and under their own supervision. This alongwith an effective social audit will pave the way for productivity rather than the mere size of expenditure becoming synonymous with development. The existence of elected Panchayats responsive and responsible to the people will be an important first institutional step from this viewpoint.

Urban Poverty and Unemployment

42. The magnitude of poverty and unemployment in urban areas may seem small in comparison with that in rural areas. However, the phenomenon of the homeless, the slum and pavement dwellers, and



the fact that a significant proportion of the urban unemployed are educated, present a special set of problems. The contrast between the organised and unorganised sectors in terms of employment, incomes and living conditions is stark and consciousness of the difference is also increasing. The social and political tensions it generates are in some ways much more acute.

43. In order to mitigate the growing rural-urban dichotomy and to ease the social tensions associated with migration, to arrest the flight of skills from villages and taking note of the growing deficiencies in urban basic services and the already heavy concentration of educated in the cities, it is essential to check the flow of unemployed from rural areas to big cities. Among the various measures needed for this purpose, the development of small and medium towns all over the country and strengthening their linkages with contiguous rural areas deserves special attention. Hundreds of such towns have been decaying from decades of neglect. Besides, a large number of villages have grown big enough to serve the functions of small towns. A comprehensive programme for investment and improved marketing facilities, transport, repair and technical services and in related training activities and basic minimum municipal services - such as conservancy, potable water, drainage and housing - in these towns has become urgent. Simultaneously, direct action for decongestion of metropolitan cities through appropriate industrial dispersal policy would be necessary. All this will help to ease the pressure on large cities and promote more dispersed growth.

44. It is necessary to address the housing needs of different income groups with special attention to the needs of the poorer sections, women and disadvantaged groups. This calls for steps to expand availability of developed land, housing finance and materials and scaling up proven technology for reducing costs of construction and promoting the use of innovative materials. Steps would be taken to encourage construction of houses for weaker sections through mobilisation of profits from commercial construction activities, particularly in the cities. There is significant employment potential in housing activity in itself as well as in its backward and forward linkages. The programme of housing should cover training infrastructure for promotion of skill upgradation and low cost technology using local resources.

45. The challenge is one of generating employment and income opportunities for the urban poor. The strategy should focus on the needs of different sections of the urban unemployed and underemployed, ranging from the educated to the unskilled casual labour and women and self-employed workers in the informal sector. This offers an opportunity for improving the management of basic services particularly shelter, water supply, sanitation and public transport. For this purpose the agenda for action should include:

- (i) Cities and towns need competent planning, technical and management support services for integrated development.
- (ii) As much as possible, employment generation schemes, particularly those providing services to households, must be made to yield some return on investment.
- (iii) The activities undertaken should include those which

provide market linkage for rural products. The plan should create a marketing network, starting with the improvement of local village haats and shandies in small towns, leading up to marketing estates with clusters of shops, exhibition area, and some residential space for artisans in or around towns of varying sizes.

(iv) Low cost housing and sanitation programmes, including night shelters.

(v) Improvement in existing houses, new housing and related facilities, especially for urban workers in the informal sector. The latter often need a combined living and working space as well as some common facilities and services. This will improve their living conditions and productivity. Housing-cum-work sheds should be low-cost, based on local materials and built with the advice and participation workers in the informal sector.

(vi) Improvements in scavenging, sanitation and essential municipal services should be an integral part of the urban employment generation programme.

46. The operational implications are:

(a) The current institutional framework of municipal bodies is geared mainly towards control. Moreover, the existing manpower and its expertise is not tailored to the needs of employment programmes of the type outlined above. There should be a clear shift from control to promotion in the activities of town-bodies. Development should be ensured through "facilitative-planning", rather than the present "restrictive-planning" approach which curbs initiative, leads to speculation and generates delays.

Deregulation will have to be the prime aim so as to direct the efforts of the municipal bodies more effectively towards reaching this goal. Apart from de-regulation, the laws, rules and regulations governing town and municipal bodies would need to be reformed suitably to provide for decentralisation of services in small wards. Many civic functions can be implemented with effective participation of the citizens. This will help eliminate delays and malpractices and consequently end the alienation of citizens from civic bodies.

(b) Urban self-employed should be helped to organise themselves in order to upgrade their techniques, get better access to working space, credit and marketing channels.

(c) Public institutions and private industry should provide facilities for training in skills needed for this purpose. In the long run a major restructuring of high school and post-high school education towards imparting vocational skills would be called for.

(d) Discourage expansion of the large metropolises and create conditions for the growth of small and medium towns. This would serve the double purpose of easing the strain on the metropolises and of fostering decentralised urbanisation and a healthier pattern of rural-urban linkages.

Social Development

Women and Development

47. Women constitute half the population and are critical to the production and social processes of the economy. Their contribution and role in the family as well as in economic

development and social transformation are pivotal. They have been managing and supporting the survival systems, particularly in the case of the poor households constituting about 30 per cent of the population. The programmes for alleviation of poverty should thus have a strong focus on development of women.

48. In the Eighth Plan, women will be accorded a special role in the scheme of decentralised area planning and mobilisation of local skills and resources. With this end in view, measures towards universalisation of education, training for skill formation, provision of child care services and increasing access to productive assets and other resources will be intensified. Their status as producers of goods and services and as rightful claimants of social security will be explicitly recognised. Maximum resources will be directed towards releasing the productive and creative energies of rural women so that they become equal partners in the socio-cultural transformation of our society.

49. Indiscriminate use of science and technology has in many cases added to the difficulties of women in protecting their jobs and incomes. Our concepts of 'productivity' and 'viability' themselves need to be reviewed. In the absence of a proper perception, the phenomenon of women from poor families being compelled to work in low paid jobs, very often under inhuman conditions tends to be extolled in a statistical sense as 'the increasing participation of women'! The first step is a recognition of the dignity of women's work and a proper understanding of its dimensions and contribution in the Indian context.

44. It is necessary to address the housing needs of different income groups with special attention to the needs of the poorer sections, women and disadvantaged groups. This calls for steps to expand availability of developed land, housing finance and materials and scaling up proven technology for reducing costs of construction and promoting the use of innovative materials. Steps would be taken to encourage construction of houses for weaker sections through mobilisation of profits from commercial construction activities, particularly in the cities. There is significant employment potential in housing activity in itself as well as in its backward and forward linkages. The programme of housing should cover training infrastructure for promotion of skill upgradation and low cost technology using local resources.

45. The challenge is one of generating employment and income opportunities for the urban poor. The strategy should focus on the needs of different sections of the urban unemployed and underemployed, ranging from the educated to the unskilled casual labour and women and self-employed workers in the informal sector. This offers an opportunity for improving the management of basic services particularly shelter, water supply, sanitation and public transport. For this purpose the agenda for action should include:

(i) Cities and towns need competent planning, technical and management support services for integrated development.

(ii) As much as possible, employment generation schemes, particularly those providing services to households, must be made to yield some return on investment.

(iii) The activities undertaken should include those which

provide market linkage for rural products. The plan should create a marketing network, starting with the improvement of local village haats and shandies in small towns, leading up to marketing estates with clusters of shops, exhibition area, and some residential space for artisans in or around towns of varying sizes.

(iv) Low cost housing and sanitation programmes, including night shelters.

(v) Improvement in existing houses, new housing and related facilities, especially for urban workers in the informal sector. The latter often need a combined living and working space as well as some common facilities and services. This will improve their living conditions and productivity. Housing-cum-work sheds should be low-cost, based on local materials and built with the advice and participation workers in the informal sector.

(vi) Improvements in scavenging, sanitation and essential municipal services should be an integral part of the urban employment generation programme.

46. The operational implications are:

(a) The current institutional framework of municipal bodies is geared mainly towards control. Moreover, the existing manpower and its expertise is not tailored to the needs of employment programmes of the type outlined above. There should be a clear shift from control to promotion in the activities of town-bodies. Development should be ensured through "facilitative-planning", rather than the present "restrictive-planning" approach which curbs initiative, leads to speculation and generates delays.

Deregulation will have to be the prime aim so as to direct the efforts of the municipal bodies more effectively towards reaching this goal. Apart from de-regulation, the laws, rules and regulations governing town and municipal bodies would need to be reformed suitably to provide for decentralisation of services in small wards. Many civic functions can be implemented with effective participation of the citizens. This will help eliminate delays and malpractices and consequently end the alienation of citizens from civic bodies.

(b) Urban self-employed should be helped to organise themselves in order to upgrade their techniques, get better access to working space, credit and marketing channels.

(c) Public institutions and private industry should provide facilities for training in skills needed for this purpose. In the long run a major restructuring of high school and post-high school education towards imparting vocational skills would be called for.

(d) Discourage expansion of the large metropolises and create conditions for the growth of small and medium towns. This would serve the double purpose of easing the strain on the metropolises and of fostering decentralised urbanisation and a healthier pattern of rural-urban linkages.

Social Development

Women and Development

47. Women constitute half the population and are critical to the production and social processes of the economy. Their contribution and role in the family as well as in economic

development and social transformation are pivotal. They have been managing and supporting the survival systems, particularly in the case of the poor households constituting about 30 per cent of the population. The programmes for alleviation of poverty should thus have a strong focus on development of women.

48. In the Eighth Plan, women will be accorded a special role in the scheme of decentralised area planning and mobilisation of local skills and resources. With this end in view, measures towards universalisation of education, training for skill formation, provision of child care services, and increasing access to productive assets and other resources will be intensified. Their status as producers of goods and services and as rightful claimants of social security will be explicitly recognised. Maximum resources will be directed towards releasing the productive and creative energies of rural women so that they become equal partners in the socio-cultural transformation of our society.

49. Indiscriminate use of science and technology has in many cases added to the difficulties of women in protecting their jobs and incomes. Our concepts of 'productivity' and 'viability' themselves need to be reviewed. In the absence of a proper perception, the phenomenon of women from poor families being compelled to work in low paid jobs, very often under inhuman conditions tends to be extolled in a statistical sense as 'the increasing participation of women'! The first step is a recognition of the dignity of women's work and a proper understanding of its dimensions and contribution in the Indian context.

results - of various research programmes especially in relation to rainfed agriculture;

- a critical assessment of the programmes for dryland agriculture, particularly in the light of the watershed projects taken up in the recent past;

- evolving a more effective research and action strategy for these areas;

- the nature of the constraints on productivity growth under rainfed cultivation in relatively high rainfall areas; and

- the performance of irrigated areas in terms of efficiency of water use and growth in productivity.

37. Irrigation is essential to increase cropping intensity and land productivity. It also adds substantially to rural employment opportunities. The expansion and improvement of irrigation facilities will, therefore, continue to be a key ingredient of agricultural and rural development programmes. During the Eighth Plan, a major effort will be made to restore and improve minor irrigation works and to encourage construction of new minor works. In the case of major and medium projects, priority will be given for speedy completion of on-going schemes rather than for starting new ones; to speedier utilisation of potential already created, and for modernising existing systems. Conjunctive use of ground water with surface water needs to be encouraged. Measures to improve quality of water management, including more active farmer participation, will be intensified.

38. There is need to improve the delivery systems for farm inputs including credit. The agricultural credit system has to be

strengthened and streamlined for extending timely and adequate credit to the farmer at reasonable rates of interest. The above measures, together with more effective transfer of technology and improved rural infrastructure will continue to be the key elements of agricultural strategy. Attention needs to be given to encouraging, as widely as possible, diversification of agriculture into higher value-adding and more remunerative enterprises - such as market gardening, horticulture, sericulture, poultry, fishery, dairying and animal husbandry. Greater efforts at strengthening marketing and agro-processing facilities would be essential to support this process. Industry must be encouraged to forge effective links with the large and growing agricultural economy. Environmental concerns will be kept in mind while developing plans for agricultural/rural development. The programmes must meet the conditions of economic viability as well as ecological soundness. Cost of administration will need to be significantly brought down.

39. In research, greater thrust will be on the new, emerging research areas - such as biotechnology, agricultural meteorology and remote sensing - which offer great potential for increasing and diversifying output, improving quality and reducing costs. Researchers should be guided by the value and relevance of research to the farmers and other clients, and the mechanism for feedback from the users ought to be made more efficient. The administrative costs in research are now unacceptably high in most research institutions. It is imperative that these costs are brought down and research activities made more cost effective and productivity-oriented.

40. Agricultural price policy has a crucial bearing on farmers' income and on the incentives for adoption of improved technology and increased production and rural capital formation. Price policy in the Eighth Plan will be informed by these concerns, and in particular will seek to protect farmers from wide price fluctuations, to ensure that the price which they receive leaves an adequate margin over costs; and so to manage relative prices as will stimulate a more efficient use of resources and improve the terms of trade in favour of the farmers. Greater freedom to export will also be allowed so that the export-import policy is not biased against agricultural producers.

41. The challenge of "right to work" cannot be met just with the resources of the Central and State governments, which are in any case under great pressure. There is the need to create conditions for the local population in each village to contribute to development resources. Experience shows that an important incentive is that local contributions are utilised entirely and palpably for the development of the contributors' own village, according to the priorities set by them and under their own supervision. This alongwith an effective social audit will pave the way for productivity rather than the mere size of expenditure becoming synonymous with development. The existence of elected Panchayats responsive and responsible to the people will be an important first institutional step from this viewpoint.

Urban Poverty and Unemployment

42. The magnitude of poverty and unemployment in urban areas may seem small in comparison with that in rural areas. However, the phenomenon of the homeless, the slum and pavement dwellers, and

the fact that a significant proportion of the urban unemployed are educated, present a special set of problems. The contrast between the organised and unorganised sectors in terms of employment, incomes and living conditions is stark and consciousness of the difference is also increasing. The social and political tensions it generates are in some ways much more acute.

43. In order to mitigate the growing rural-urban dichotomy and to ease the social tensions associated with migration, to arrest the flight of skills from villages and taking note of the growing deficiencies in urban basic services and the already heavy concentration of educated in the cities, it is essential to check the flow of unemployed from rural areas to big cities. Among the various measures needed for this purpose, the development of small and medium towns all over the country and strengthening their linkages with contiguous rural areas deserves special attention. Hundreds of such towns have been decaying from decades of neglect. Besides, a large number of villages have grown big enough to serve the functions of small towns. A comprehensive programme for investment and improved marketing facilities, transport, repair and technical services and in related training activities and basic minimum municipal services - such as conservancy, potable water, drainage and housing - in these towns has become urgent. Simultaneously, direct action for decongestion of metropolitan cities through appropriate industrial dispersal policy would be necessary. All this will help to ease the pressure on large cities and promote more dispersed growth.

technological upgradation and ability to compete internationally.

89. The government's policy towards small scale industry - both traditional and modern - needs to be reviewed in the light of the experience of the last three decades. The numerous state interventions - reservations, fiscal discrimination favouring small industry, subsidies, promotional measures - ostensibly designed to ensure a protected sphere have been, to say the least, half-hearted. And even where the promotional and protective measures have been implemented, the benefits have been cornered by relatively modern, more capital and less labour intensive (even if decentralised) units in a wide range of products e.g., cloth, printing of fabrics, footwear, food processing.

90. The policy of protecting small industry has resulted in a faster expansion of employment than would have occurred if large industry had been allowed to grow unfettered. However, expansion of modern small industry (like powerlooms), insofar as it has been facilitated by fiscal and other concessions and diversion of raw materials meant for the traditional industries (as in the case of handlooms), was not sustained wholly on the basis of efficiency. In any case, given that unemployment is still a major problem and will continue to be so for the foreseeable future, the displacement of traditional industries on a large scale cannot be accepted, not even as an inevitable element of the transition to absorption in the modern sector, to the neglect of its immediate effect on employment. A review of industrial policy to ensure that protection meant for traditional labour intensive industries is not abused by producers (large and small)

using energy and capital intensive techniques and synthetic substitutes should, therefore, be high on the agenda. The policy of liberal support from financial institutions and government to enterprises using energy and capital intensive techniques for manufacturing products of low social priority (e.g., private automobiles) needs review.

91. Macro policies to create an environment favourable to decentralised form of manufacture need to be reinforced by positive programmes of assistance and promotion for specific industries. The deskilling of craftsmen should be stopped. Those already employed should be enabled to increase their productivity and incomes by giving them assured access to credit and raw materials, as also technical and marketing assistance in adapting to changing demand conditions. These programmes are unlikely to make much of an impact unless the practice of relying exclusively on government-dependent interventions is replaced by participation of workers' associations or cooperatives.

92. It is also necessary to take stock of the assistance needed to those who work only intermittently or work in the unorganised sector. There is a large number of corporations and Boards dealing with activities like handicrafts, leather and forest produce, to which the workers engaged in these activities could be attached in an organised manner to avail of the services pertaining to production and marketing. New organisations could also be created in such activities and occupations where a large number of workers are engaged on a decentralised basis. This would also facilitate representation of the "producers groups" in

the management of such organisations.

93. These arrangements will also make the process of collection and use of data regarding unorganised workers easier. We need to develop a regular mechanism for collection of disaggregated data on a multi-dimensional basis, in the case of unorganised workers. Such an approach to data collection should form an integral part of the decentralised planning system.

94. One important lesson to be drawn from past experience is that the growth of labour intensive industry cannot be ensured without an integrated application of industrial policy, technology policy and fiscal policy. The working of the textile policy shows that these three elements were often in conflict. Not only was there no serious attempt made to coordinate them in conceiving the policies to guard clearly stated objectives but so also there was a great deal of laxity in implementing the policies, weakening their impact further.

95. A return to the regime of direct, indiscriminate and detailed controls in industry is clearly out of the question. Past experience has shown that such a control system is not effective in achieving the desired objectives. Also the system is widely abused and leads to corruption, delays and inefficiency. It is essential to review and determine the minimum set of social objectives and priorities which ought to be safeguarded and to devise relatively simple, strategic and non-discretionary control mechanisms to achieve these objectives.

96. In this context, devices, such as differential debt: equity ratio and other ways of influencing investment may not only help to channel private investment into areas of mass demand and

labour intensive production but also to contain concentration of economic power. The state can and should use the sizeable equity holdings in the private corporate sector of development financial institutions to influence the long term policy of the major corporations in tune with national objectives. This presupposes a change in the tenor of state - private sector relations with a greater emphasis on evolving long term strategy through mutual consultation and consciously enlisting the cooperation of workers.

97. In relation to the private sector the following specific issues deserve attention:

(i) The policy of liberalisation during the past decade or so has given a fillip to industries. But it has also in the process led to the rapid growth of some industries catering to the relatively well-to-do segments of the population. This has meant diversion of scarce resources to non-priority uses. It is necessary to restrain the growth of such manufactures not only because of their sizeable demand for imports (directly and indirectly), but also their wider social implications.

(ii) There is need for a greater degree of self-regulation of industry and trade in respect of quality control, collection and publication of data, enforcement of fair business practices and the like through their own associations. This, together with a simplification of systems of reporting to the government, would help to considerably reduce the burden of reporting, and inspection by scores of officials from several regulatory agencies.

substantial employment potential would be a key element to the revitalisation of the rural economy. Sustainable management of forests would require an institutional framework which would facilitate people's active involvement. Traditionally, management of forest resources has sought to exclude the people, and the emphasis was on policing the forests to prevent biotic interferences. Predictably, this did not have the desired effects and has alienated the people. This has been particularly true in respect of the tribal populations who have been traditionally dependent on minor forest produce. Indeed, they have a national interest in protecting trees. Every effort needs to be made to promote grassroot level participation in this task as part of a larger approach to the local area planning and development.

Industry: Policy and Priorities

81. Alongside the efforts to accelerate agricultural progress, rapid industrialisation development will continue to be among the major concerns of planning. The strategy of industrialisation will have to sub-serve multiple objectives. At the present stage of our development, rapid increase in gainful employment, balanced regional growth, sustained advance in productivity with technological dynamism, and achievement of international competitiveness in selected sectors (e.g. steel, electronics, machine building) will have to be the major objectives of industrial policy.

82. The industrial policy reforms will mobilise the country's productive forces and entrepreneurial energies by reducing bureaucratic controls. The emphasis will be more on strategic and non-discretionary instruments of regulation. Simultaneously,

measures will be initiated for progressively lowering the level of effective protection and increasing competitiveness of Indian industry so that the consumer has access to goods of quality at reasonable prices. Our policies will take into account the regional diversity in resources endowment and provide for balanced regional development. There will be special focus on the development of village and small scale industries. A continuing effort will be made for technological upgradation.

83. The economy must continue to devote adequate resources in order that the supply of energy, transport and other infrastructural facilities as well as essential intermediate and capital goods, grows in step with requirements. At the same time, it is necessary to encourage technological innovation to ensure quality and cost effectiveness and to promote more efficient use of energy and other resources. Here employment need not necessarily be the primary consideration.

84. A substantial cost reduction in the intermediate and capital goods industries will have a powerful and wide ranging effect on costs and competitiveness in all segments of Indian industry. This calls for a purposive and far-sighted policy to achieve a self-reliant and dynamic technological and manufacturing capability. Import of know-how should be accompanied by measures to build up and utilise indigenous capability for design and engineering as well as technological improvement. The formulation of a long term action programme with this perspective should, therefore, command a high priority.

85. Another task is to explore and exploit systematically the

potential both for conserving the use of scarce, capital intensive intermediate inputs (especially energy, fertilizers and metals) for reducing the amount of additional investment needed. That there is considerable scope for reducing the energy input per unit of output is well recognised. Significant scope exists for raising the productivity of fertilizers and for economising on the use of metals. Programmes and policies needed to exploit the potential for better economy and efficiency must be given precedence over launching of new projects.

86. Given the difficult balance of payments situation, it is necessary to improve the efficiency and competitiveness of Indian industry for enhancing its contribution to exports and efficient import substitution. This would call for a greater thrust on:

- (a) upgrading the technological level of basic intermediate goods and capital equipment;
- (b) increasing the competitiveness of Indian industry in the world export market by providing access to relevant technology, equipment and materials; and
- (c) exposing indigenous producers to external competition, specially in segments where there is a high degree of concentration in ownership or monopolistic market structure and where production by small scale, labour intensive sectors is not significant.

87. The thrust on employment and poverty alleviation will generate additional demand for mass consumption goods, the supply of which must expand. In meeting this requirement the encouragement of labour-intensive forms of manufacture on a decentralised basis is possible. Many consumer goods (like cotton

cloth, processed food, beverages) can be produced economically using labour-intensive techniques and with savings in energy and capital. In some cases this involves integration with larger industries which manufacture the components. But the producers need assured supplies of raw materials, quality components, credit and marketing facilities. The policy should be to ensure that cottage and small scale producers get inputs on terms comparable to, if not better than, their competitors in the modern sector. There is also justification for selective subsidy to those using labour-intensive techniques. In some cases it may even be appropriate to reserve production for the decentralised sector, allowing some time for the existing large capital-intensive forms to cater to export markets.

88. Measures must be taken to ensure the spread of industry, particularly of small-scale industries, to rural and backward areas. A balanced approach would recognise the existence and rationale of three sub-sets calling for differentiated strategies. The first and the foremost are the village/household enterprises including Khadi and village industries, handlooms, handicrafts, sericulture and coir, which have tremendous potential in terms of utilisation of local resources and skills, and creation of gainful employment with low investment and minimal dislocation. The second category pertains to the 'tiny' sector that accounts for majority of the units in the small scale sector and which has shown its capability to promote growth and employment generation. The modern small scale sector is the third category. It has the proven potential for dynamic growth,

substantial employment potential would be a key element to the revitalisation of the rural economy. Sustainable management of forests would require an institutional framework which would facilitate people's active involvement. Traditionally, management of forest resources has sought to exclude the people, and the emphasis was on policing the forests to prevent biotic interferences. Predictably, this did not have the desired effects and has alienated the people. This has been particularly true in respect of the tribal populations who have been traditionally dependent on minor forest produce. Indeed, they have a national interest in protecting trees. Every effort needs to be made to promote grassroot level participation in this task as part of a larger approach to the local area planning and development.

Industry: Policy and Priorities

81. Alongside the efforts to accelerate agricultural progress, rapid industrialisation development will continue to be among the major concerns of planning. The strategy of industrialisation will have to sub-serve multiple objectives. At the present stage of our development, rapid increase in gainful employment, balanced regional growth, sustained advance in productivity with technological dynamism, and achievement of international competitiveness in selected sectors (e.g. steel, electronics, machine building) will have to be the major objectives of industrial policy.

82. The industrial policy reforms will mobilise the country's productive forces and entrepreneurial energies by reducing bureaucratic controls. The emphasis will be more on strategic and non-discretionary instruments of regulation. Simultaneously,

measures will be initiated for progressively lowering the level of effective protection and increasing competitiveness of Indian industry so that the consumer has access to goods of quality at reasonable prices. Our policies will take into account the regional diversity in resources endowment and provide for balanced regional development. There will be special focus on the development of village and small scale industries. A continuing effort will be made for technological upgradation.

83. The economy must continue to devote adequate resources in order that the supply of energy, transport and other infrastructural facilities as well as essential intermediate and capital goods, grows in step with requirements. At the same time, it is necessary to encourage technological innovation to ensure quality and cost effectiveness and to promote more efficient use of energy and other resources. Here employment need not necessarily be the primary consideration.

84. A substantial cost reduction in the intermediate and capital goods industries will have a powerful and wide ranging effect on costs and competitiveness in all segments of Indian industry. This calls for a purposive and far-sighted policy to achieve a self-reliant and dynamic technological and manufacturing capability. Import of know-how should be accompanied by measures to build up and utilise indigenous capability for design and engineering as well as technological improvement. The formulation of a long term action programme with this perspective should, therefore, command a high priority.

85. Another task is to explore and exploit systematically the

potential both for conserving the use of scarce, capital intensive intermediate inputs (especially energy, fertilizers and metals) for reducing the amount of additional investment needed. That there is considerable scope for reducing the energy input per unit of output is well recognised. Significant scope exists for raising the productivity of fertilizers and for economising on the use of metals. Programmes and policies needed to exploit the potential for better economy and efficiency must be given precedence over launching of new projects.

86. Given the difficult balance of payments situation, it is necessary to improve the efficiency and competitiveness of Indian industry for enhancing its contribution to exports and efficient import substitution. This would call for a greater thrust on:

- (a) upgrading the technological level of basic intermediate goods and capital equipment;
- (b) increasing the competitiveness of Indian industry in the world export market by providing access to relevant technology, equipment and materials; and
- (c) exposing indigenous producers to external competition, specially in segments where there is a high degree of concentration in ownership or monopolistic market structure and where production by small scale, labour intensive sectors is not significant.

87. The thrust on employment and poverty alleviation will generate additional demand for mass consumption goods, the supply of which must expand. In meeting this requirement the encouragement of labour-intensive forms of manufacture on a decentralised basis is possible. Many consumer goods (like cotton

cloth, processed food, beverages) can be produced economically using labour-intensive techniques and with savings in energy and capital. In some cases this involves integration with larger industries which manufacture the components. But the producers need assured supplies of raw materials, quality components, credit and marketing facilities. The policy should be to ensure that cottage and small scale producers get inputs on terms comparable to, if not better than, their competitors in the modern sector. There is also justification for selective subsidy to those using labour-intensive techniques. In some cases it may even be appropriate to reserve production for the decentralised sector, allowing some time for the existing large capital-intensive forms to cater to export markets.

88. Measures must be taken to ensure the spread of industry, particularly of small-scale industries, to rural and backward areas. A balanced approach would recognise the existence and rationale of three sub-sets calling for differentiated strategies. The first and the foremost are the village/household enterprises including Khadi and village industries, handlooms, handicrafts, sericulture and coir, which have tremendous potential in terms of utilisation of local resources and skills, and creation of gainful employment with low investment and minimal dislocation. The second category pertains to the 'tiny' sector that accounts for majority of the units in the small scale sector and which has shown its capability to promote growth and employment generation. The modern small scale sector is the third category. It has the proven potential for dynamic growth,

technological upgradation and ability to compete internationally.

89. The government's policy towards small scale industry - both traditional and modern - needs to be reviewed in the light of the experience of the last three decades. The numerous state interventions - reservations, fiscal discrimination favouring small industry, subsidies, promotional measures - ostensibly designed to ensure a protected sphere have been, to say the least, half-hearted. And even where the promotional and protective measures have been implemented, the benefits have been cornered by relatively modern, more capital and less labour intensive (even if decentralised) units in a wide range of products e.g., cloth, printing of fabrics, footwear, food processing.

90. The policy of protecting small industry has resulted in a faster expansion of employment than would have occurred if large industry had been allowed to grow unfettered. However, expansion of modern small industry (like powerlooms), insofar as it has been facilitated by fiscal and other concessions and diversion of raw materials meant for the traditional industries (as in the case of handlooms), was not sustained wholly on the basis of efficiency. In any case, given that unemployment is still a major problem and will continue to be so for the foreseeable future, the displacement of traditional industries on a large scale cannot be accepted, not even as an inevitable element of the transition to absorption in the modern sector, to the neglect of its immediate effect on employment. A review of industrial policy to ensure that protection meant for traditional labour intensive industries is not abused by producers (large and small)

using energy and capital intensive techniques and synthetic substitutes should, therefore, be high on the agenda. The policy of liberal support from financial institutions and government to enterprises using energy and capital intensive techniques for manufacturing products of low social priority (e.g., private automobiles) needs review.

91. Macro policies to create an environment favourable to decentralised form of manufacture need to be reinforced by positive programmes of assistance and promotion for specific industries. The deskilling of craftsmen should be stopped. Those already employed should be enabled to increase their productivity and incomes by giving them assured access to credit and raw materials, as also technical and marketing assistance in adapting to changing demand conditions. These programmes are unlikely to make much of an impact unless the practice of relying exclusively on government-dependent interventions is replaced by participation of workers' associations or cooperatives.

92. It is also necessary to take stock of the assistance needed to those who work only intermittently or work in the unorganised sector. There is a large number of corporations and Boards dealing with activities like handicrafts, leather and forest produce, to which the workers engaged in these activities could be attached in an organised manner to avail of the services pertaining to production and marketing. New organisations could also be created in such activities and occupations where a large number of workers are engaged on a decentralised basis. This would also facilitate representation of the "producers groups" in

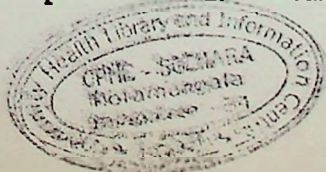
the management of such organisations.

93. These arrangements will also make the process of collection and use of data regarding unorganised workers easier. We need to develop a regular mechanism for collection of disaggregated data on a multi-dimensional basis, in the case of unorganised workers. Such an approach to data collection should form an integral part of the decentralised planning system.

94. One important lesson to be drawn from past experience is that the growth of labour intensive industry cannot be ensured without an integrated application of industrial policy, technology policy and fiscal policy. The working of the textile policy shows that these three elements were often in conflict. Not only was there no serious attempt made to coordinate them in conceiving the policies to guard clearly stated objectives but so also there was a great deal of laxity in implementing the policies, weakening their impact further.

95. A return to the regime of direct, indiscriminate and detailed controls in industry is clearly out of the question. Past experience has shown that such a control system is not effective in achieving the desired objectives. Also the system is widely abused and leads to corruption, delays and inefficiency. It is essential to review and determine the minimum set of social objectives and priorities which ought to be safeguarded and to devise relatively simple, strategic and non-discretionary control mechanisms to achieve these objectives.

96. In this context, devices, such as differential debt: equity ratio and other ways of influencing investment may not only help to channel private investment into areas of mass demand and



labour intensive production but also to contain concentration of economic power. The state can and should use the sizeable equity holdings in the private corporate sector of development financial institutions to influence the long term policy of the major corporations in tune with national objectives. This presupposes a change in the tenor of state - private sector relations with a greater emphasis on evolving long term strategy through mutual consultation and consciously enlisting the cooperation of workers.

97. In relation to the private sector the following specific issues deserve attention:

(i) The policy of liberalisation during the past decade or so has given a fillip to industries. But it has also in the process led to the rapid growth of some industries catering to the relatively well-to-do segments of the population. This has meant diversion of scarce resources to non-priority uses. It is necessary to restrain the growth of such manufactures not only because of their sizeable demand for imports (directly and indirectly), but also their wider social implications.

(ii) There is need for a greater degree of self-regulation of industry and trade in respect of quality control, collection and publication of data, enforcement of fair business practices and the like through their own associations. This, together with a simplification of systems of reporting to the government, would help to considerably reduce the burden of reporting, and inspection by scores of officials from several regulatory agencies.

(iii) The Seventies and Eighties have witnessed increasing incidence of sickness among industrial enterprises. These are a drag on the economy and the resources required for development. Wherever possible, it is obviously desirable to help revive sick units and make them viable through modernisation or diversification. But units which are unlikely to become viable cannot legitimately claim continued support by way of resources from the state. Provision should be made for retraining and deployment of labour.

(iv) Imported technology does have an important role to play in the modernisation of industries and raising their efficiency. However, the import of technology must be planned in a long term perspective, focussing on strategic sectors and with due regard to the capability to absorb, adapt and develop technology indigenously.

(v) Foreign capital has also a role to play as a medium for bringing in better technology, even if the quantum is unlikely to be large in relation to the size of the balance of payments gap.

(vi) There has to be a special thrust for export production. Of late, Indian exports of manufactures have shown welcome resurgence. Exports have grown significantly in sectors which are labour intensive, and where the value added in manufacture is also significant. Even in sophisticated fields, as for example in the area of "software", our scientific personnel have shown commendable performance. All such exports - not only of goods but increasingly, of business services - need to be given special attention. Being generally labour intensive, they fit well with the employment-centred strategy and some of them (like software)

may also mitigate the problem of urban educated unemployment.

98. The other major aspect of policy concerns the role of public sector both in terms of its sphere of direct involvement and the means by which government influences the patterns of growth in the private sector. The public sector will continue to play a leading role in the economy. At this stage in development, it will need to focus on the development of infrastructure, key intermediate goods, production and distribution of strategic commodities and provision of social services. However, the public sector has of late entered numerous other areas of activity where its presence is not necessary to promote self-sustained growth of the economy, or to serve any essential social purpose. Such areas should be left to the private sector which has lately shown both the entrepreneurial ability and the capacity to mobilise financial resources on a large scale. Indeed there may be situations where greater private sector involvement or participation in areas hitherto largely retained with the public sector could be considered on a selective basis. The offering of shares of public enterprises to the workers and the public, while retaining government control, could be considered as a measure of raising resources and improving performance.

99. At the same time, it is necessary to ensure greater efficiency of public enterprises. An accountable management is essential but it must have the autonomy to ensure achievement consistent with accountability. Responsibility for planning, evaluation and execution must be clearly delineated and firmly enforced. Special attention will be given to ensuring timely

completion of projects and avoiding cost over runs. Responsibility will be fixed on the management for this purpose. Personnel policies need major reorientation to prevent overstaffing. Labour relations must be based on worker participation and concern for productivity. These prerequisites for improving efficiency of public enterprises are widely recognised and reiterated on several occasions. What we need is the will to implement them firmly.

Infrastructure

100. The development programmes for both agriculture and industry will need to be supported by improvement in the supply of infrastructural facilities, particularly energy and transport. These two sectors are also among the most capital intensive, and the public sector plays a major role in both. Given the commitment to increase the share of public sector plan outlays allocated for rural development and the overall resource constraint, it is imperative that policy in these sectors focuses more sharply on modernisation and economic expansion of supply, as well as better demand management so as to encourage more efficient use of energy and transport.

101. It is, therefore, necessary to focus on the improvement of operational efficiency of these services and to evolve a pattern of pricing which would yield a reasonable return on investment in these sectors. Except for oil, the public enterprises in this sector do not as of now earn a reasonable return, or are in fact incurring large losses, requiring budgetary support even for current operations. Unless this situation is remedied, the prospect for mobilising resources to sustain even moderate

expansion of public investment on a non-inflationary basis would be in jeopardy.

102. In the case of oil, the country is faced with the prospect of substantial increase in imports, despite an increase in domestic production. Measures to reduce the consumption of oil and oil products, to increase the fuel efficiency of power generation and in road and rail transport, and introduction of more energy efficient production technology (e.g. in respect of fertilisers) must be pursued vigorously. A long term policy for optimal management of both demand and supply of different sources of energy (including renewable sources of energy) is essential, if only to ensure sustained development in the coming decades.

103. Apart from the above general policy considerations, it is necessary to take note of certain specific issues that call for attention in the Eighth Plan period. These include for the energy sector:

- an effective system of incentives and disincentives backed by legislative mandate for energy conservation, and waste-reduction among all users;
- better utilisation of generating capacity by selective modernisation of existing generating units;
- more rational use of power in order to flatten the load curve and to reduce the peak demand for power;
- a better balance between power generating capacity and transmission and distribution system;
- speedy completion of on-going projects and a more streamlined approval system for new projects, in view of the long

lead time required for such projects;

- sustained improvement in the managerial capacity of the State Electricity Boards;

- selective entry of private investment for capacity augmentation;

- a pricing policy that reflects relative scarcities of alternative forms of energy and improves viability of investments;

- improvement the output per worker and better utilisation of equipment in the coal sector, which will remain a major source of commercial energy;

- due regard to the long term ecological aspects of energy use and devise appropriate environmental safeguards and demand management for this purpose; and

- coordination of diverse policy options, investment phasing and operational systems of alternative sources of energy and their competitive uses.

104. In the transport sector, the railway network will need to be augmented and modernised to carry a substantially larger volume of both passenger and freight traffic. In any optimal combination of various modes of transport, railways have some clear advantages in terms of energy efficiency for bulk transport over long distances, as also mass transportation of commuter traffic in and around major cities. The employment potential both during construction and in operation is also considerable. However, capital costs are increasing rapidly. The need for utmost efficiency in the construction and operation of the railway network needs to be particularly emphasised in the

context of the constraints on the resources available for investment. It is also necessary to devise a fare and freight structure which makes investment viable without proving a drain on the fiscal system.

105. The same considerations will apply in regard to expansion of road transport and shipping. The road network is necessary for opening up rural countryside and for better integration between the rural and the urban economy. The employment potential in road construction is also high. The public transport system, particularly in major cities, would need to be expanded and improved as part of the larger policy for discouraging private transport in the interest of better energy conservation.

Fiscal Measures

106. The proposed reorientation of the rural development and planning in so far as it succeeds in promoting more efficient use of available real and financial resources could, over a period of time, help ease the strain on the fiscal system. Raising the productivity of fertilisers in agriculture and energy conservation, for instance, will reduce the additional capacity needed to meet given overall growth targets. Exploiting the possibilities for raising output through better use of existing facilities will reduce the additional investments needed to meet a given demand. Decentralisation of the type envisaged should help reduce leakages and enable employment and welfare programmes to be responsive to real needs of the people for whom it is meant. All this means that the real targets of the plan, or more accurately of the public sector plan, can be achieved with

relatively smaller outlays than would be required if the existing approach were to continue.

107. This is only a part of the solution to the fiscal crunch which has already assumed serious dimensions and threatens to get much worse unless determined and timely action is taken to reduce non-development expenditures, improve tax policy and administration, and make public enterprises earn a reasonable return on investments.

108. The more important issues in a serious agenda of fiscal reform must include:

- Ways to extend the coverage of, and substantially increase the effectiveness of tax collection, especially of direct taxes. Simpler tax laws without numerous exemptions, together with an efficient tax administration free of outside interference, are essential.
- The deterioration in the revenue budget which is in some significant part due to the rapid rise in administrative and non-development expenditures, and which also adds to the strain on the balance of payments, needs to be arrested.
- Strict monitoring and control of non-Plan expenditure has become urgent and imperative. The aim should be to eliminate leakage and waste, contain its growth and prevent further proliferation of staff. At the same time it is necessary to safeguard proper maintenance of assets created at great cost. Maintenance has indeed suffered in the past owing to the expenditure being classified as 'non-Plan'. Artificial distinctions between Plan and non-Plan expenditure which owe their origin to an accounting rather than a functional

view need to be discarded.

Part of the reason for the worsening of the budgetary situation is the rapid growth of internal public debt and the increase in the interest rate on borrowings, and the use of such borrowings increasingly to meet revenue deficits. The policy of requiring enterprises to float bonds in the open market is a step in the right direction. But this alone will not ease the burden on the budget unless the enterprises also become more efficient and are able to cover their costs fully. If they do not, the budget has eventually to meet the deficit. Also, the growing recourse to tax free bonds implies a steep rise in cost of borrowing, a part of it being borne by the budget in the form of forgone tax revenues. There is a strong case for divesting the public sector of chronically losing enterprises which serve no essential national purpose. It would be necessary to separate out the cost of providing subsidised services to particular segments/regions on larger social grounds from the results of the enterprise operations more strictly defined. Details of such imposed obligations which are ultimately met by the Government should be made explicit to the public along with necessary justification.

Discussions on subsidies usually focus on only the most obvious and explicit items - especially food, fertilisers and exports. But the subsidy element in public finance is much larger. A significant part of it is hidden in the form

of providing irrigation, electricity, higher general education and other public services much below cost, even to those who have no claim to it; or lending at rates below the cost of borrowing; and non-recovery of loans and interest payments from borrowers. The magnitude of these relative to resources available has become large and is growing. It is necessary to take a broad view of the whole issue of subsidies, to quantify their magnitude, and see which sections/classes/regions benefit from them and in what measure. This is essential for a significant reorientation of policy based on an informed discussion of their rationale.

Exports and International Trade Policy

109. The mounting fiscal deficits and their effect on aggregate demand are part of the reason for the pressure on balance of payments. Sharp deterioration in net invisible earnings, reduction in concessional borrowing, and some upsurge in bulk imports have contributed to this process. Increase in imports related to production of non-essential consumption goods has added to the pressure on imports. Prudence requires that further increases in foreign borrowings, especially the recourse to loans of shorter maturity and on harder terms, be restrained severely and steps taken to accelerate the utilisation of aid in the pipeline (which is on much softer terms). The thrust of liberalisation should also shift towards improving the technology and efficiency of the intermediate and capital goods industries, which is desirable from every point of view reducing costs of domestic manufacture, increasing the competitiveness of domestic

industry on a wider range than at present, and building the base for greater self-reliance.

110. The rate of growth in export earnings in recent years (17 per cent in dollar terms and 11 per cent per annum during 1986-90) has been impressive. But it has to be stepped up even higher to bring down the BOP deficit to manageable levels. Efforts to expand and diversify exports both by products and markets must continue.

111. The strategy for export growth would include:

- (i) greater attention to expanding exports of labour-intensive manufactures which have emerged as dynamic elements in our trade. At the same time, diversification into a wider range of products such as software and other skill-based services;

- (ii) strengthening of institutional infrastructure for exports such as Export Houses, Export Promotion Councils, specialisation in both products and selected markets; as also modernisation of other trade promotional institutions and elimination of procedural bottlenecks;

- (iii) rationalisation of incentives, speedy delivery of raw materials, equipment and components, related to export production - be they indigenous or imported, and promptness in provision of export assistance;

- (iv) supportive exchange rates and demand management; and

- (v) adequate investment provision for infrastructure where there is a high concentration of export production industry.

112. Tourism has demonstrated its potential in contributing substantially to foreign exchange earnings. The circumstances are

propitious for a rapid expansion of tourism. Tourism industry does not encounter protectionist barriers. It is today equipped with a reasonable infrastructural base and is poised for further faster growth. The future expansion of tourism should be achieved mainly through the private sector. The state can contribute by planning broad strategies of development, providing essential infrastructure, and devising effective regulatory mechanisms to protect the interests of industry, the consumer and environment.

113. International trading environment is undergoing rapid transformation. Protectionism is growing and multilateralism is under pressure. The inequity of the present international trading system from the viewpoint of developing countries is sought to be perpetuated. Moreover, in the name of the strengthening of the trading system, new linkages are sought to be enforced through the multilateral trade negotiations.

114. India's trade policy will have to be fashioned to meet these challenges. Our efforts to preserve the multilateral and non-discriminatory character of the trading system must continue. In keeping with our development, trade and financial needs, we should prepare ourselves to play an active role in the international trading system, consistent with our national objectives. The gradual shift from quantitative controls to tariffs and technological leap frogging might facilitate this process. Our resistance to introduction of new linkages intended to circumscribe the autonomy of development policies must continue with renewed vigour. We should strengthen our cooperation with the like-minded developing countries in forging coordinated approach and negotiating positions in the multilateral fora.

115. While the freedom to pursue autonomous development policies must be jealously guarded, enhancement of trade and economic cooperation among developing countries must continue to be a major aim of our external economic policy. Our ability to realise these objectives will be, in the last analysis, determined by the strength and productivity of our industry, agriculture and infrastructure.

SUMMING UP

116. The perspective outlined in this paper has far reaching implications for the objectives, priorities and methods of planning. It is important that these implications are fully understood before the programmes and policies for the Eighth Plan are formulated.

117. The central thrust of the Eighth Plan is employment. The Plan will seek to give operational content to the commitment to guarantee of the right to work to every citizen through appropriate development programmes. The development process, properly engineered to generate additional employment opportunities on a sufficiently large scale and in a widely dispersed manner to absorb the increments to the labour force and the backlog of unemployed and underemployed - is the only viable way of realising the cherished goal of the right to work on a continuing basis. To repeat, emphasis is on the content of development than on a growth rate per se. Growth should be such as to provide meaningful work, a reasonable minimum standard of living and essential social amenities to every one as speedily as possible. It should be more sensitive to the needs of the disadvantaged and the vulnerable while also making for a more widespread diffusion of the benefits of development across regions and classes than has been achieved so far. It should moreover be sensitive to our responsibility to the future generations to avert irreversible damage to the environment and especially to the resource base of the poor. All this will be sought to be achieved through a process which affords

opportunities for the people to participate widely in framing and implementing development programmes, through a system of open and democratic decision making.

118. The following are some of the important implications of this approach :

- (a) Completion of democratic decentralisation within the first year of the Eighth Plan.
- (b) Acceptance of a major change in the approach to rural development, away from the present system of department-wise schemes to integrated local area planning.
- (c) Commitment to transfer to local democratic institutions the responsibility for planning and implementation along with the resources necessary for the purpose and providing them with access to technical personnel for planning and implementation.
- (d) Change in the role of central and state government departments whereby their direct involvement in planning will relate to setting of broad socio-economic goals and overall priorities and to execution of large and inter-district or inter-regional projects. At the same time the government should help organise scientific and technological inputs, dis-seminate data and experience relating to local planning, and undertake objective monitoring and evaluation of progress.
- (e) Formulation of relatively simple criteria and procedures to make sure that the resources transferred for local area planning flow to the areas where they are needed most and to programmes which are nationally important.
- (f) Utilise productively the talents and energies of women for ensuring them a life of dignity and security.

(g) Paying greater attention to care and conservation of natural resources, especially soil, water and bio-mass in agricultural development planning.

(h) Emphasise (i) making agriculture a more stable and productive occupation through expansion of irrigation and other facilities; (ii) more equitable access to resources and inputs within the rural society; (iii) productivity of rainfed agriculture in arid and semi arid tracts as well as in the medium and high rainfall zones; (iv) remunerative prices to the farmers in general and diversification of agriculture into more remunerative enterprises; (v) sensitivity to employment and regional dimensions of agricultural growth and modernisation; and (vi) the need to ensure fair rewards and wellbeing of the rural labour.

(i) Develop a comprehensive social policy (alongside a more equitable and socially just approach to economic development) that addresses itself to marginalised and excluded sections of society, including the Scheduled Castes, the Scheduled Tribes and Backward Classes, and seeks to undo major ills like bonded labour, growing child labour and exploitation of migrant labour and other slum dwellers in urban areas who do not get even statutorily prescribed minimum wages.

(j) Improve the quality of human resources through (i) emphasis on the containment of population growth; (ii) a major overhaul of educational policy to achieve the goal of elimination of illiteracy by the end of the 1990s and making education a resource for the mass of the people to enable them to participate

in the productive process and avail of the right to work; and (iii) a restructuring of the system of health and nutrition with a view to raising the levels of living and quality of life of the people, so that they can participate in the development process in full measure.

(k) Promote adequate production of mass consumer goods, particularly through labour intensive manufacture with assured supply of raw materials, credit and marketing facilities and a rejuvenated, democratic cooperative movement supplemented by voluntary organisations and associations of craftsmen; and ensure that fiscal and other concessions meant for the traditional industry are not unfairly appropriated by others; and by reservation where necessary.

(l) Expand infrastructural facilities as well as the supply of key intermediate and capital goods to meet growing requirements. Greater efficiency in production and conservation in use would be given precedence over creation of new capacity in energy and capital intensive sectors.

(m) Review carefully (i) all proposals for new, large investments with the aim of working out a phased programme in consonance with the new priorities in and multiple demands on investment resources; (ii) work out long term programmes for efficient development of selected key industries in collaboration with the relevant organisations, paying particular attention to upgrading continuously indigenous engineering capabilities in research and design; and (iii) provide guidance for the pattern of private industrial development along socially desirable lines through development financial institutions in terms of their

lending policy and their control over equity in the private corporate sector.

(n) Induce innovative approaches to development through inputs of science and technology which has to be made responsive to the needs of the people, especially those living in rural areas, and to the concerns of employment, environment, and promotion of self-reliance.

(o) Insist on development programmes being environmentally sustainable through strict adherence to the norms and guidelines of environmental clearance of projects already laid down, and of measures pertaining to resource conservation, pollution control and upgrading the quality of land and water resource.

(p) Thrust on exports in order to reduce dependence on external resources.

(q) Contain imports through measures for selective import substitution, a more efficient use of imported materials and avoiding imports related to inessential consumption.

(r) Enforce the strictest possible economies in government expenditures, particularly of a non-development nature, reduce dependence on borrowings (internal and external); generate more resources through, among others, better tax collection, plugging leakages, larger enterprise surpluses and an overall review of the subsidy component of the public expenditure and its social impact.

119. We should avoid the temptation to look at the attractiveness of a plan in terms of the overall growth targets and the size of the public sector plan. The danger of basing the plan and its targets on an over-optimistic assessment of the economy's

capability will - as has been repeatedly demonstrated in the past - only aggravate the problems of inter-sectoral imbalances, inefficiency, deficit financing, inflation and balance of payments difficulties. The plan is not just an internally consistent set of arithmetical projections, but a means to address and resolve human problems arising out of mass unemployment, poverty and social and economic inequality.

120. For the reasons already discussed, this paper has focused primarily on the major strategic shifts in terms of objectives as well as the instrumentalities of planning in the light of the new mandate rather than on quantitative projections. While the detailed implications of this reorientation in terms of output targets, and investment allocations, and the balance of payments projections remain to be worked out, it would be useful at this stage to outline certain broad indicative macro targets to meet the main concerns mentioned earlier.

(a) The central task would be to expand opportunities for productive employment at rising levels of real wage rates and incomes at a sufficiently rapid rate to absorb the increment in labour force due to population growth and also to progressively reduce the present level of open unemployment and underemployment. The target will be to achieve on the average a 3 per cent annual rate of increase in employment over the next decade.

(b) The second important objective will be to ensure a minimum standard of social services and economic infrastructure all over the country. More specifically, the aim would be to achieve at least reasonable food security for the poor; attain 50 per cent

adult literacy rate in the course of the next five years and eliminate illiteracy by the end of the decade; give special emphasis to achieving a significant improvement in female literacy rate; ensure that there is no village without a protected source of drinking water; and improve the coverage and quality of nutritional and health services, especially for mothers and children and bring down sharply child mortality rate along with birth rates.

(c) The twin emphasis on employment and better public services raises questions more about the direction than the mere size of investment in the next five years. The need for and the broad features of redirection have already been brought out. The desired redirection has to be achieved by improving upon the potential for growth which has been already built up. It is also important to note in this context the following:

(i) The past rate of growth has been attained at the cost of increasing unemployment, a widening fiscal and balance of payments deficit (both of which are unsustainable), an accentuation of economic inequalities which is not acceptable, and increasing distortions in the regional pattern of growth.

(ii) The institutional framework (by way of Panchayat Raj institutions) which is envisaged as the main instrument of social transformation through the local level area planning and guaranteeing full employment, is not yet in place in most parts of the country.

(iii) The task of organising the required local level planning is not easy, and the speed with which this can be made to

function smoothly and efficiently is likely to vary for different parts of the country. Therefore, while the objectives and the future thrust are clear, the impact of these proposed changes on the local level effort, local savings (and investment) and on output cannot be predicted with precision, at least for the first few years.

(d) It is also important to note that in the immediate future, considering the pressure on resources and the need to contain inflationary pressures, the extent of investment on social infrastructure is not amenable to a dimensional change. Hence, given the stagnant domestic savings rate, severe fiscal crunch and large balance of payments deficit, it would be prudent to adopt a moderate rate of growth, with reference to the rate realised during the Eighties (around 5.3 per cent per annum) without endangering fiscal and monetary stability. It is this last factor which imposes the most serious constraint in the immediate future.

121. At the same time, the Planning Commission attaches the greatest importance to raising the savings performance and promoting a dynamic and even spread growth of the economy. The achievement of even the trend rate of growth with a reduced dependence on foreign resources would require an improvement in the current level of savings (which stands at around 20.5 per cent of GDP) and a minimum 12% annual volume growth in exports. The fulfilment of new commitments, such as the right to work would also call for extra mobilisation of resources by the government - Central, State and local. Taking all these factors into account, the Planning Commission proposes that the average

savings rate should be stepped up to around 22 per cent of GDP during the Eighth Plan. This would be feasible only if the government observes strict fiscal discipline and takes stringent measures to contain growth of non-development expenditure and proliferation of staff. On this basis, and on the assumption of a net foreign resources inflow of 1.5 per cent of GDP, the growth rate in GDP in the Eighth Plan would work out to 5.5 per cent per annum. The Commission proposes to closely monitor the performance of the economy, particularly in regard to savings rate and capital use efficiency in the coming years with a view to making appropriate adjustments at the time of the Mid-term Review of the Plan.

122. There is no simple or unique correlation in the short run either in theory or in Indian experience between the rate of growth of output and the rate of growth of employment. The realisation of a faster growth of employment even with a 5.5 per cent annual growth of GDP in the Eighth Plan is predicated on significant changes in the structure of output and in policy and allocative strategy:

(i) a significant increase in the proportion of investment allocated to rural development; (ii) a conscious effort to direct more investment for rural development in areas which have a relatively high concentration of poverty and unemployment; (iii) making a more efficient use of resources allocated to rural development - by reducing leakages and by better targeting and delivery ; and (iv) encouragement of labour-intensive and

energy-capital saving techniques of production in all segments of the economy.

123. The Commission has already highlighted that there is a great deal of room for improvement both for mobilisation of resources and for bringing about improvements in efficiency in their use. The proposed reorientation outlined in this paper is meant to exploit this potential in a variety of ways. However, it is neither prudent nor necessary to take these improvements and their impact for granted. There are obvious problems and difficulties in implementing the proposed changes. It would be more appropriate at this stage to concentrate on the systemic reforms on which these improvements are contingent, rather than projecting a more impressive macro economic performance. The Planning Commission would, however, be pushing for these reforms at all levels as a matter of high priority.
