
UNIT 18 DEVELOPMENT PLANNING: NATURE AND SCOPE

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18.0 LEARNING OUTCOME

After studying this unit, you should be able to,

- understand the meaning of development planning;
- describe the rationale behind development planning; and
- highlight the current development paradigm in India and its implications for rural development and local governance.

18.1 INTRODUCTION

There is currently on, a paradigm shift in development policy, from *socialist* to *neo liberal* ideology. With the collapse of the Soviet Union, the socialist model of development has been largely discredited/forsaken in favour of the liberalised free market dispensation. It is significant that apart from economic legitimacy, the precepts of the capitalist world have gained in political rationality/legitimacy, in that, disputations apart, the West has unequivocally won the cold war. Hence development economics has political undercurrents, which have to be taken cognisance of, in order to appreciate/understand completely, the economic rationality/political legitimacy of/behind the recent shift in development economics paradigm. Public Policy in developing countries is under heavy influence of 'suggestions' from international agencies like the World Bank and the IMF. The WTO, following the GATT forms the new 'environment of constraints' for public policy formulation in developing countries such as India. The economic rationality behind the shift is the failure of earlier paradigms in reducing poverty in the Third World, and the hope that freeing international trade barriers and opening up economies in the Third World, will increase business opportunities/expansion, leading to accelerated creation of jobs and therefore, wealth.

In this Unit, we would attempt to understand the implications of these developments with respect to the scope of development planning in India for rural development, at the district level, the requirements thereof, and the institutional arrangements present/desirable for the same, following the 73rd and 74th amendments. District Planning had not been given requisite attention despite repeated calls from subject matter specialists, owing mainly to system constraints such as inadequate plan effort at the state level, inadequate consequent devolution to local levels, lack of expertise at the local level for planning, poor local administration and so on. In the 73rd and 74th amendments, provision has been made for a District Planning Committee for desired area- based -spatial planning and a State Finance commission to govern resource distribution between the state and Panchayat institutions.

In this Unit, we would explore the role these agencies are expected to/can play within the context of the neo- liberal paradigm of development planning. India is through a stage of transition from a mixed economy model of indicative planning to a relatively freer economy. Focus would be on the scope of development planning in the new dispensation and the requirements thereof in terms of institutions and processes. The conflicts and contradictions as well as the merits of the new state of affairs would be studied.

18.2 RATIONALE OF DEVELOPMENT PLANNING

It would not be far fetched to suggest that Development Planning draws its economic arguments/rationality from the *Public Finance* school of Economics, which is based in J.M. Keynes's theory of Income and Employment. Public Finance implies 'more government' as opposed to 'less government' preferred by Liberalists and now, Public Choice theorists. Simply put, as per the 'more government argument,' the government has to intervene in a benign way to correct the distortions of the market; left free, the market mechanism would not facilitate resource allocation in favour of non-profit public works and social schemes for the poor, which are essential for development. Hence, the government has to partake proactively in development by means of increased public spending on employment generating activities/projects in order to augment the level of income and thereby demand (aggregate demand) in the economy, boost production economy (aggregate supply) for overall growth. The State has to fight poverty and inequality by innovative resource generation measures such as differential taxation in favour of the poor and resource allocation in budgets with a re-distributive agenda. Hence, public expenditure should be incurred on the basis of planned schemes to meet the targets of income and employment for the masses; and, resources allocated accordingly, to set ends as per plan.

Expenditure being talked about is capital expenditure, which is incurred mainly through external and internal borrowings. In the past few decades, non -plan revenue expenditure has grown at the expense of capital expenditure, plan and non-plan. In simpler words, it means that 'maintenance' expenditure incurred in meeting daily expenses such as establishment charges, servicing equipments, paying salaries et al has grown so much that state governments have had to perforce cut capital expenditure, which is mainly developmental expenditure, incurred on plan works. Resultantly, essential developmental tasks such as building infrastructure, setting industries et al have suffered in states. Stress therefore in development planning is on curbing maintenance expenditure by cutting on staff budget, which implies scaling down massive underemployment in the government sector. Hence, as conceded in the Tenth Plan, roll back of the state would be followed especially in areas where the state has performed relatively inefficiently and the civil

society is relatively well institutionalised. Expenditure would be incurred on employment generation schemes such as public works in rural areas to augment prevalent levels of income and employment.

18.3 MULTI -LEVEL PLANNING

Till the 1960s the emphasis in development planning was on resource development via investment allocations in sectors. This was expected to fuel the growth engine by way of spin off effects on other (related) sectors. Benefits were also expected to trickle down to the lower segments of society. However, such planning is in broad aggregate terms that need to be subsequently translated into action plans at successive lower levels. Since, centralised aggregate planning is done in terms of averages, these averages need to be broken down at successive stages in terms of specific targets for sectors and modalities specified to achieve the same. Development planning at the local level is essential to articulate targets and chart the roadmap for implementation in requisite detail, for schemes to stay on course and achieve the targets in varied regions. Poor implementation leads to resource leakage/wastage, which renders a well-meaning policy inefficient. This is especially true of highly variegated sectors such as agriculture, where spatial diversities across agro-climatic and ecological regions/conditions are immense. Multi level planning is expected to facilitate factoring of such diverse concerns in plans through detailed attention at the local level by development planners, which ensures better productivity through more efficient resource use and also 'sustainable development' practices since the externalities/unintended impacts of policy would be better understood.

Reference is to plan *implementation*, wherein detailing and specifications of macro targets at micro levels have to be provided for. Planning however remained concentrated at the top, which meant decision-making did not include local peers in articulating needs and preferences and identifying the growth potentialities of particular regions. Since policies were not rationally related to local needs and potentials in terms of *resources* and *capacities*, there was often a mismatch between objectives set in the macro plan and the resources and capacity of a region, which meant policies had to be frequently modified/revised in separate regions.

The proposal is based on the premise that decisions taken at local levels are more relevant/ authentic since they are based on articulated needs and not distant observations/ estimations, which is the basic constraint in macro policy planning. This has been conceded in the Tenth Plan document. Accordingly, the focus is now on *processes* to articulate plan guidelines at the local level and generate expertise for the same. The alternate to the top down approach being considered presently, is **multi-level planning**, which involves involving decision makers at all spatial levels in the planning process through negotiations, deliberations, and consultations by way of communication through information flows and mutual partaking of perspectives which makes policies relevant and need based, and, set up process mechanisms/institutions for affecting such cooperation at each required stage. As a natural corollary to decentralisation of planning, *mechanisms* for peoples' involvement need to be intensively explored for each level for more 'relevant' policy since interests cannot be adequately articulated without active participation of people who are the intended beneficiaries. Articulation at local levels could then be factored in policy proposals.

Multi level planning is also expected to make operations cost effective by providing better linkages between relevant sectors and ready access to required information, which would remove many implementation blockages, for example, by way of delayed decisions.

Multi level planning is expected to reduce regional disparities and bring more equity in development, since the chief factor behind persistent regional imbalances has been diagnosed as unstudied application of the macro plan at micro levels without necessary modifications/detailing by the local development planners to address the particular requirements of an area/target group.

Corruption has been another persistent problem. For example, the main problem with poverty alleviation programmes has been identification of beneficiaries and articulation of their needs, which has been far from orderly. Omissions/commissions alleged/inadvertent have largely thwarted efforts. Identification through local bodies can address the problem.

Development planning is expected to simplify the implementation process by infusing role clarity, removing overlapping between sectors and establishing needed linkages for set output levels. Local development planners can decide on the territorial level, viz. gram sabha, samiti or zilla parishad, where a function can be performed with maximum impact and economy. Also, policy needs to be comprehensive with respect to all ramifications. For required harmony, *interactive mechanisms* would have to be devised to collate information at each stage to ensure backward and forward linkages, with regard to progress achieved, inter sector impacts (externalities), requirements for improved performance, necessary horizontal (i.e. sector-sector linkage) and vertical (i.e. sectoral hierarchy) linkages for integrated development. Caution in this regard would be, avoiding organisational complexity by way of excessively 'tall' hierarchies or unwieldy consultation processes, which could negate the effort. *Processional constraints*, therefore, would need to be overcome.

18.4 CONTEXT OF DEVELOPMENT PLANNING

In India, decentralisation could be criticised as a precocious attempt since it has been embarked upon without ensuring the essential socio- economic prerequisites, viz. desired standards of awareness, education, institutional arrangements for peoples' participation in planning, plan implementation with peoples' involvement, inculcation of desired technical know- how, institutional corrections via social and economic reform etc. The converse argument could be that one could not wait perennially for the 'right time.' Hence, the attempt presently, is with the theoretical supposition of the theory of 'Institutionalisation', whereby, desired change is sought by introducing institutions, in a 'sociological landscape', which act as change agents in that in time, as they concretise, they act on the 'substratum' and alter its character as per own nature/orientation. Introduction of the institutions of self-governance is expected to initiate the process of 'apocalyptic social transformation' as aforesaid, in that structural and behavioral changes are expected with regard to empowerment, self-reliance, and better awareness on the part of people in keeping with the requirements of grass roots democracy.

Pertinently, in economic theory, there are two approaches to economic development: as per *one*, establishing basic prerequisites, such as law and order, communication infrastructure, power et al establishes the environment for development. Businesses do the rest (market based). As per the other approach, development is planned for and provided, proactively by the state led).

As per the first approach, establishment of local "self-government" would renew local administration, which would have positive spin- off effects on business generally. Improved investment climate is expected.

Peoples' participation is the chief virtue to be derived from local level developmental planning. The failure of previous efforts at rural regeneration, starting from the community development programme, have been ascribed mainly to lack of effective peoples' participation in planning and implementation of these programmes. This would be the sociological transformation that would be brought about by institutionalising cooperative effort at the local level, through panchayat raj institutions.

The role of the planning Commission in the changed dispensation is likely to shift to long range planning, henceforth. According to I.C. Dhingra (2005), the emphasis should be on in depth exploration into alternatives in respect of vital sectors like energy, transport, social sectors, technology et al.

18.5 REQUIREMENTS IN DEVELOPMENT PLANNING

Employment generation would be the key requirement in eradicating poverty. Poverty alleviation, it should be remembered is the chief rationale for planning from below, since the top down approach has not succeeded in removing poverty. The main challenge for the District Planning Committee would be to provide for investment in socio-economic planning, at the same time ensure cost effectiveness of operations since controlling non-plan revenue expenditure is a priority.

As articulated in the Tenth Plan, and also mentioned before, in the neo-liberal dispensation, the state would largely "roll back" in areas where it is performing inefficiently and the civil society is relatively well institutionalised. This would be part of the wider goal of "good governance". Qualitative aspects of governance would be given greater attention; hence the tenth plan is intended to be more a "reform plan" rather than a "resource plan." Emphasis would be on issues like reforming law and order, provision of basic services like education and health et al which would require policy reform in that Panchayat institutions and civil society would need to be vested with requisite authority to introduce reforms, like hiring contractual staff, curb unionism, right size administration et al which is presently lacking.

Issues in Rural Development

It has been brought out in the mid term appraisal of the ninth plan (MTA) document that many rules regarding SC- ST welfare, Forestry and Decentralisation contain rules which are actually anti poor. These would be suitably modified in the tenth plan to enforce a pro-poor programme. For example, the Magsaysay award winner Rajinder Singh restored aquifers in Rajasthan by constructing check dams, tanks and ponds. Yet these activities were in violation of many acts, namely the Irrigation and Drainage Act, the Wildlife Protection Act and the Forest Conservation Act. Similarly, there are rules that prevent farmers from selling vegetables directly to consumers. Rules mandate that they sell them to the mandi. If they take their produce across the state boundary, they violate the Essential Commodities Act and the Mandi Act. There are numerous such acts that preserve government monopoly, which actually go against public interest. Licensing provisions for cycle rickshaws and hawkers create opportunities for corruption on the part of administration and restrict livelihood opportunities. Many such laws need revision (Aiyar, 2006).

In the same vein, better accountability mechanisms need to be put in place to curb corruption, as aforesaid, which reportedly results in 'leakages' amounting to 20- 70% of funds in rural development programmes. As endorsed in the UNDP report (1993), and

brought out in the tenth plan, decentralisation has been effective in enforcing accountability at the local level and providing cost effective operations wherever implemented. Unfortunately in India, in most states, most development effort remains concentrated in secretariat and directorates. Processes and mechanisms too are heavily oriented in favour of the bureaucracy. Hence the agenda of decentralisation requires more vigorous/committed implementation. The same would be carried out through training of local functionaries and transfer of physical and financial resources to local bodies. At the same time, local bodies would be encouraged to raise their own resources and fiscal incentives would be linked to performance at the local level. Bureaucracy would be streamlined by cutting down on surplus staff. Attempt would be made to make procedures, viz. audit, financial transactions, procurement through competitive bidding et al simple and transparent to provide for “open and responsive government.” Specific issues involved as articulated in the Tenth Plan (2002-07) are summarised below:

- Legislation for Right to Information to ensure transparency of administrative processes and public accountability of local administrative officials
- Citizens’ Charter establishing service delivery standards and means to enforce/press for the same for the citizens.
- Responsive legal system through innovative mechanisms like Lok Adalats (peoples’ courts) and Nyaya Panchayats to provide for speedy justice and quick disposal of cases.
- Curtailment of administrative expenditure through rightsizing government and reducing *transaction costs*; in other words administrative discretion and “political rent seeking” behaviour due to procedural complexity or scope for manipulations in rules and regulations.

Fiscal reforms would be urgent. Much revenue presently is lost because public utilities such as power, water et al go largely unpaid. Better enforcement is required for fiscal viability of services. States should more proactively tap the source of external aid, which presently does not have a ceiling (Art. 293) and which depends completely on the willingness of the state governments. There needs to be better cooperation inter-state, in matters such as tax rates which currently give unfair advantage to certain states in revenue matters. Focus instead should be on creating better conducive climate for investment and viewing the country as a ‘single economic space’ with the requirement of cooperation not competition in the nature of negative social capital between states *inter se*. In this connection, value added tax (VAT) is strongly recommended. Ready extension of state guarantee to the borrowings of state public sector enterprises has escalated the fiscal crisis in states. Legislative cap on such guarantees, as has been attempted in some states, can effectively tackle the problem. The pressure of non- plan expenditure has made states cut on essential capital expenditure. Even maintenance of capital assets has been compromised due to the pressure of non-plan revenue expenditure by way of administrative expenses and establishment charges. Environmental concerns cannot be addressed due to the same constraint. For the first time, plan assistance for maintenance of capital assets has been provided for in the tenth plan. Reform linked assistance has been proposed for desired reforms in states. Cutting on surplus staff henceforth would be a vital requirement. Plan proposals need to be rationalised in the sense that comprehensive statement of proposed expenditure needs to be made, which is not *underestimated*, as is deliberately done to seek sanctions. Investment requirements may even be *overestimated*, which leads to ‘overloading’, when assessments of ceilings in different sectors and investment requirements are not articulated properly. Ad hoc reassignments have to be attempted perforce, which

disturb the priority setting in plan allocations. Committed outlays and prospective productive deployment of capital needs to be set apart for better perception with regard to committed and proposed expenditure. Prioritisation in on going schemes is necessary, keeping the resource constraint in view. Priority should be to complete incomplete projects, which are nearer completion rather than those that are perhaps 10% complete. There is need for transparent criteria for prioritisation for which states are reluctant, as it would reduce discretionary authority with regard to choices involved. However, in public interest, the scope for arbitrary executive choices should be reduced by way of specification of criteria on rational grounds since that would prevent misallocations and consequent wastage of resources. Finally, the timing and scheduling of plan according to budget the formulation exercise is critical. Plan priorities must be reflected specifically in the budget. Usually, they are not articulated in time, hence lose their relevance. Hence, a strict annual schedule should be prepared and followed in congruity with the budget (Tenth Plan, 2002-07).

Subsidies would be largely withdrawn. Subsidies have remained unchanged at 14% of GDP, which reportedly largely benefit large farmers, such as subsidies on power and fertilizers. Subsidies for food education and health overwhelmingly benefit urban folk and richer rural areas. Besides, their implementation is plagued by much waste and corruption. However, withdrawal of subsidies remains a debatable issue since it could be contested that withdrawal of subsidies would hit the poor hard especially those who subsist solely on subsidised food provision through government schemes and also that the main issue is targeted implementation of subsidies, not subsidies per se. According to Nair, if farm subsidies were to be reduced in the United States and the European Union (EU), global prices of principal cereals would increase. With stagnating production at home, food would be unaffordable for the poor. In the neo liberal environment, it is very important for developing countries like India to hold their own on various issues concerning the common man, principally, agriculture, on which large part of our population depends. How can democratic decentralization help? It is hoped institutionalisation of planning at the local level would facilitate the much-needed land reforms in rural areas, and also impart more 'voice' to the poor since local panchayats leaders, it is hoped would be easily accessible. Certain issues could be tackled better at the local level such as encouraging production of coarse cereals. As articulated in the tenth plan, it is a difficult to have a national, policy of subsidy through the public distribution system, since the shelf life of coarse cereals is less. Decentralized procurement as part of the public distribution system is being considered. At the local level, identification of below the poverty line (BPL) people could be better attempted for issue of subsidy entitlement cards for targeted public distribution system (TPDS).

Another major policy shift is likely to be from labor-intensive rural development schemes to capital-intensive schemes. For example, all weather roads would be more viable compared to temporary roads, which are temporary labour intensive schemes, which provide temporary employment to rural labour (Aiyar, 2005).

Agriculture

Despite government claims of buffer food stocks, the country is heading towards a hunger trap. The average monthly per capita expenditure of farm households across India is just over Rs. 500, about Rs. 75 above the rural poverty line. Since this is an average across regions and classes and income groups, this dismal figure suggests that millions of households exist below the poverty line. K.P. Prabhakaran Nair (2006) attributes this to

a steep shortfall in food grains output, because of inability of Indian agricultural scientists to produce superior crop varieties. Low availability has made food costly. While China harvested 550 million tonnes of foodgrains last year, India was restricted to 200 million tonnes. Average annual farm growth rate was 4.5% during the 191-96 eighth plan in the first three years of the ongoing tenth plan (2002-07) farm growth dipped to 1.1%. Shortage of food grains, pulses, oilseeds can only get worse if current growth trends continue. The buffer stock with the Food Corporation of India (FCI) has plummeted. Prices are likely to shoot up further, owing to continued shortages of food grains, oilseeds and pulses. According to Nair, the current 'diversification' towards horticulture is misconceived/ill-advised. Indian agricultural strategy should be grain oriented. Intensive efforts are needed/in order to step up production. Recommended measures include, better utilisation of the enormous land mass (51% of land is arable as compared to 11% world average) through better soil management techniques like better nutrients et al, most importantly, consolidation of holdings and land reforms which still remain an unfinished agenda even after over half a century since independence. Cultivated land in India amounts to amounts to about 130 million cultivators and 110 million labourers. The average holding is thus 1.4 hectares. This miniscule farm has to support on an average, 6.5 persons who would need a monthly income of at least, 2,500. Low soil productivity coupled with unstable agricultural prices will make sustenance hard for the Indian farmer.

According to S.P Singh (2004-05), growth in the agriculture sector has deteriorated since the economic reforms, primarily because of reduced public investment in investment in agriculture, low cost inputs that have competed out local products, capital intensive technology that has reduced dependence on human labor. These are the imperatives of globalisation. Given the constraints however, ways have to be explored to create employment avenues and reduce poverty in the rural areas. Reduced public investment in agriculture is likely to adversely affect private investment in agriculture, since it is directly correlated with public investment in power, road, irrigation, research and extension. Moreover the character of private investment is different; therefore it could not be a substitute for public investment. Operational holdings in India have increased due to increasing fragmentation. Increased division leads to increased demands for farm assets and machinery. Therefore, private investment in capital would increase indebtedness of small farmers and lead to under utilisation of capital assets. Post- liberalisation, Government's policy emphasis has shifted towards providing latest technology to farmers to increase farm productivity through public private partnership which would facilitate state of the art technology in production, harvesting, marketing, storage and processing infrastructure. However this would benefit capitalist farming, or large farmers more than strengthen the resource base of small and marginal framers. Owing to small sizes of holdings, the technology would not be viable and the unit of cost of cultivation would increase. Therefore, ways gave to be found to strengthen the position of small and marginal farmers. This could be attempted through promoting cooperative group effort among farmers through self -help group activity and advancing credit to groups rather than individuals. These self- help groups could be formed of non-government organizations and other civil society actors, including the agriculture extension staff under the aegis of the panchayat institutions. President Abdul Kalam, in his convocation address to IRMA graduates in April 2002 called for:

“ A systems approach to enhance agricultural productivity including soil analysis, seed choice, cultivation season, fertilizer selection, and training to the farmers particularly in the usage of remote sensing data and also of storage, marketing and banking system.” (Jain, 2004-05).

According to S.P. Singh, negative impacts of globalisation would have to be countered by proactive moves on the part of the government. Measures like the proposed rural employment guarantee bill, which would provide constitutional guarantee for 100 days of employment to a member of each rural household willing to get manual work at the prescribed minimum wage, would go a long way in securing the position of the poor and landless in rural areas against the rich who are set to gain further in the new liberalized dispensation. This would have positive spin off effects on the urban economy since demand for urban sector goods would rise due to augmented rural income as per Keynes' theory of income and employment.

Hence the challenge for development planners at the local level would be safeguarding the rights of the poor who could be further marginalised in the new dispensation. Innovation solutions for employment generation would need to be worked out. There is ample scope for employment generation in wasteland development, water harvesting and conservation, canal maintenance, rural road construction and maintenance, social forestry etc (*ibid*).

The most important function would be interest articulation and pressing/lobbying for the same in higher echelons of governance, that is the central legislature where paradigmatic policy changes are affected.

Employment Generation

Employment opportunities in the countryside have decreased due to low public investment in agriculture; hence alternate avenues have to be explored. Since private investment is directed more towards non- farm sectors like horticulture, et al, land conversion is taken place towards these activities. According to I.C. Dhingra, 2005, the role of rural non farm sector (RNFS) in employment generation would be crucial since the urban sector has limited absorption capacity and agriculture too can provide only limited employment opportunities to the ever expanding rural work force. The rural non- farm sector includes all non-agricultural activities, except crop husbandry located in rural towns and small towns. Opening up of the economy to international trade is expected to further accentuate the diversification of rural economy. There is need for better market links with trade hubs and a well coordinated policy of linkage between large and medium industries. Involvement of the private sector and non-government organisations should be actively sought. It would infuse competitiveness and ensure better quality enhancement, technology dissemination standard setting and skill development. Rural- Urban linkages would be important. It would be important to promote infrastructure development to link villages with urban areas so as to ensure the sustained growth of agriculture and agro based activities. Development of small and medium towns and their linkages with rural hinterland and semi urban areas is very important. Besides, liberalisation and reform of urban laws such as property tax et al would boost infrastructure development in urban areas, which would have positive, spin off effects in rural areas.

Human Resource Development

There is need to invest in human capital formation to avail of the opportunities in businesses, particularly, the IT sector. For the same, education would have to be given required impetus/priority through resource allocation in budget. Besides, unresponsive administration thrives on low human development index as suggested in the South Asian Development Report cited in the tenth plan. For empowerment measures such as right to information and citizens' charter to be effective, human development would be imperative. Dilemma however is that staff expenditure would increase which would add to the total non-plan revenue expenditure in states which is the main cause of fiscal imbalance.

However certain innovative experiments could be tried. Madhya Pradesh and Rajasthan have taken recourse to contractual employment of teachers for primary education. Uttar Pradesh has opted for one-time capital grants to encourage private educational institutions rather than recurrent grants in aid (Singh, 2004-05).

Rural Credit

As per NSSO data collected in its 59th round of survey, rural households are nearly 48 million, out of which, 40 million rural households living in extreme poverty, earning less than Rs. 30 per day. Another 20 million are barely on the subsistence level. In urban areas, around 15 million households are in extreme poverty. Hence, micro credit is a significant requirement in development planning. SIDBI and other institution are making efforts for financial capacity of NGOs by providing them grant assistance. However, the move needs to gain momentum, as the coverage is still rather limited. It is hoped that unemployed youth in villages could be trained and incorporated as extension workers. Credit demand of this 75 million strong bottom of the pyramid segment (BOP) segment is estimated at around 500 billion. Banks have been hesitant in their lending commitments with regard to this sector as it is a high-risk venture. Hence, an innovative solution by way of banks-SHG (self help group linkage is being explored. Gradually the effort should be to expand the scope of non-government organisations involved in micro credit from providing credit for production and consumption to micro entrepreneurial level and thence to small enterprise level. For that SHGs would need to be networked and upgraded financially and with respect to managerial capacity (Singh, 2005). Opinions differ about the impact of globalisation on rural credit. According to Amadip Ray, (2005) the Union government has allowed proposals for joint ventures; foreign collaborations, industrial licenses and 100% export oriented units. These envisage an investment opportunity of Rs, 19,100 crore. This creates tremendous business opportunity for both public and private sector banks. Though the authorities are on the whole *unhappy* with the effort of the banking sector in lending to small and marginal farmers in backward regions, since money lenders still hold a firm grip on rural credit, future scenario, according to Ray is optimistic. According to Ray, since the urban banking scene is getting cluttered day by day, it won't be long, *though arguably*, before private banks, start looking at the rural market. These along with the 27 public sector banks could step up investment in agriculture. According to Verghese (2005) it is also not entirely true that farmers do not repay their loans. The moneylender still thrives because his service is timely, in that he presents ready cash, more like an ATM! Hence *doing away with rigidity of institutional finance* is the solution one must look at. Presently, documentation procedures are cumbersome in that farmers have to pay stamp duty, registration charges etc. which make credit costly. The same could be rationalised. Improvement in rural infrastructure and basic services like schools, hospitals etc, will encourage the bank staff to stay in rural areas. Since bank staffs are reluctant to go on rural postings, a separate cadre of rural officers could be created. As far as the issue of repayment is considered, efforts should be made to improve the creditworthiness of farmers by providing them training, credit and necessary production as well, as market infrastructure, to enable them to move up the ladder from marginal or subsistence worker to micro entrepreneur and then to small entrepreneurs (Singh, 2005). Besides, repayment could be monitored better, and also made easy for farmers by taking small portions back at a time. Also, there is need for better strategizing by public sector banks in terms of segments like the small and medium enterprise sector

Private banks do not venture into rural credit because it is not profitable. Considering,

they were to venture, it would in profitable areas where rich farmers operate such as commercial cropping. The basic agenda of reducing income inequality would remain largely unattended. Efforts should therefore be made to make agriculture an attractive business proposition by carrying on with the unfinished agenda of land reforms meaning consolidate holdings, undertaking risk mitigation as part of development planning to reduce disaster losses from events such as floods et al by insurance facilities for farmers in case of droughts, floods etc. To tackle price fluctuations, farmers presently do not have options such as entering into futures contract, whereby they can sell at the favourable price at the time of harvest. The same should be considered. (Ravikumar, 2005).

Public Administration

The most important issue that needs to be resolved in the interest of rural development is; whether it is a generalists' job/area/domain; or the specialists? Looking at the issue aforesaid, it is a technical job, and therefore it is important to see that hierarchy does not stifle the scientist. It is important to note that agricultural scientists were frustrated during the green revolution, because they were mostly placed lower down the hierarchy, in subordination to generalists, and their opinions did not matter on most occasions!

Issues in Urban Planning

Urban Planning presents complex issues in that urbanization is partaking at a rapid pace. The imminent question today is sustainability of cities as concerns of environmental protection and disaster mitigation mainly relate to the urban environment. This is not an India specific problem, but one characterizing development even in the developed world. Development of cities is proceeding as per the requirements of the "knowledge economy." Logan and Molotch identify three historical processes that affect the structure and conditions for growth dynamics of cities:

- 1) technological revolution
- 2) the formation of a global economy
- 3) the emergence of an *information* form of economics production and management

Luxury apartments, offices, requirements of location, et al are guiding the development of cities. It is knowledge power more than industrial power that is fuelling the growth round the world. New concerns like environment protection and disaster mitigation have to be factored in development planning which mainly concern urban growth. Rationalisation of laws would be undertaken to facilitate infrastructure development in urban areas. Laws presently, restrict easy availability of land for construction purposes and conversion from agricultural to other uses. Foreign Direct Investment would be better attracted if such acts were repealed. Acts in question are the Urban Land Ceiling Act, which has already been repealed in the Center and in many States, Land Revenue Act, Land Reforms Act, Stamp Duty Act, and Urban Development Authorities Act and Town Planning Acts which result in aberrations like illegal settlements because land availability though legal means is difficult.

There is considerable dissatisfaction with urban planning methodology. The Master Plans have not been successful in producing a safe/satisfactory physical environment. The urban development planning process in the past has been unduly long and has paid inadequate attention to the provision of transport infrastructure, environmental conservation and financing issues. Targets have been unrealistic and have not been accompanied by investment programmes and capital budgets (Tiwari, 2005). The 74th constitutional amendment mandates development of municipalities as institutions for "economic and social

planning” rather than simply agencies to supply civic amenities. As per Article 243-W of the Indian Constitution, Urban Local Bodies are to be allocated functional responsibilities of preparation of plans for economic and social justice. The Twelfth Schedule lists “urban poverty alleviation” as a functional responsibility of the urban local bodies. The intent is quite categorically one of developing urban local bodies as institutions of “self-government.” The onus is now on state governments to allocate necessary functions and devolve requisite authority and responsibility to local bodies for the same. District Planning Committees and Metropolitan Planning committees are to be set up for integrated planning of rural and urban areas by concerted effort of agencies involved in civic, transport, economic and social services. The other significant development is constitution of ward committees for closer interface between citizens and administration. Actual application of mandated requirements in consonance with the *spirit* expressed in the 74th amendment would be the crucial factor determining extent/degree of success attained in practice in individual states. Presently, there are many parastatal development authorities involved in planning and there is considerable reluctance on the part of these authorities to share responsibility with the local bodies. Integrated urban development planning approach, taking into account regional, state and national strategies, and spatial, functional and other linkages between human settlements, has not been given much recognition. Significantly, there is no urban vs rural conflict in development priorities or incompatibility in terms of national growth. Because of success of rural development programmes and lack of availability of land in urban areas, there is no runaway migration from rural to urban areas (Tenth Plan, 2002-07).

The urban development planning effort in states has not been congruent with overall economic development planning in the country. At present, hardly 20 percent of the urban centers have a Master Plan, though on a limited scale, as it is probably just a policy document. It is estimated that there are about 1200 master plans prepared by various agencies responsible for plan preparation but implementation is plagued by coordination problems and resource constraints. The implementation of master plan facilitates the orderly and planned development of cities in a sustainable manner, which contributes to the end value of ‘good governance’ but implementation leaves a lot to be desired (Tiwari, 2005)

The Five Year plans laid stress on the need to undertake town planning and evolve a National Town Planning Act so as to provide for zoning and land use, control of ribbon development, location of industries, clearance of slums, civic and diagnostic surveys and preparation of Master Plans. Comprehensive action was not taken by the states for the adoption and implementation of the plans. The state governments too do not seem too keen on developing local bodies as agencies of planning in conjunction with existing development authorities. Quality of members appointed in State Finance Commissions and willingness on the part of state governments to accept their recommendations would determine to what extent the financial position of local bodies is actually strengthened. State Finance commissions are also likely to give greater importance to rural development programmes, however, awareness with regard to city development is growing. Measures are necessary to strengthen own resource base of urban local bodies. Presently, cities with high growth rates are underutilizing the potential for resource generation, and those with low growth rates are basically deficient in funds. Property tax reform is urgently needed. Tax assessments are relatively rigid which do not reflect the true value of assets. This costs considerable revenue to local bodies. It needs to be made more buoyant and transparent. Other potential sources could be tapped. User charges need to be revised

and collected better which forms another significant source of revenue for local bodies. Non-tax revenue sources need to be further tapped, establishment and other costs curtailed and municipal accounts made more compliant with the requirements of lending agencies and financial markets. Shift to accrual-based system of accounting is recommended (Tenth Plan, 2002-07).

Environmental Protection

Environment management and protection strategy addresses the critical environmental problems, which mainly concerns preservation of lakes and water bodies, water quality and land use management in catchment areas. The other environmental issues relate to the disposal and treatment of urban waste and its recycling and the socio-economic problems caused by the displacement of population, in the context of future city spread. Environment management of lakes and water bodies are vulnerable to urban pressure in its close vicinity. It is essential to enforce land use control measures in the catchment areas to prevent further environmental degradation and thereby achieve desired level of sustainability. The sustained efforts are needed for plan implementation to improve the quality of city life. Hence an effective plan implementation strategy needs to be evolved to achieve the following objectives as articulated by Tiwari (2005):

- 1) Protect natural environment.
- 2) Conservation of areas of cultural heritage.
- 3) Optimise land use and land utilisation
- 4) Provide services and infrastructure
- 5) Participatory approach for supply of land and infrastructure development.

A recent World Bank study indicates that empowering communities with rights over forests could result in tangible gains for both. As per the study, for the area presently under Joint Forest Management (JFM) alone, a simple analysis shows that total forest income from commercial timber, bamboo and non-timber products on improved forests could rise from an estimated US\$222 million in 2004 to approximately US\$2 billion per annum in 2020. In this dispensation, the state functions as a facilitator in that the activities of the state forest department are limited to core business functions such as technical advisory service delivery, facilitation of partnerships with communities and the private sector, and forest monitoring. The community shares the benefits of forest resources with the state and some limited rights of management. There are at present 85000 village committees operating across 27 states. This is significant considering forestry is the second-largest land use in India after agriculture, covering about 641,130 square kilometers, or 22 percent of the total land base. Roughly 275 million poor rural people in India- 27 percent of the total population- depend on forests for at least part of their subsistence and cash livelihoods. Such community-based approaches epitomize the "Reinventing Government" paradigm that is informing public administration system round the world.

Environment protection offers tremendous employment opportunities, along with the primary goal of environment protection through community based approaches. The same can now be affected through institutions of local self- government.

As discussed earlier, environment protection would open employment opportunities, which would serve the twin objectives of environment protection and sustainable development.

Disaster Management

Disaster management has up till now not been dealt with as a non-plan subject. However, there have been number of plan schemes in operation, such as afforestation, drinking water etc. that deal with disaster management. Hence a plan component in disaster management financing already exists. The effort would now be to stress further on disaster management efforts in mainstream planning. This comes following realization of the devastating economic impact of disasters, besides loss of lives. Recently, disasters have struck the Indian landscape with increasing ferocity, such as the Orissa cyclone, the Gujarat earthquake, floods in 2001, droughts which are almost periodic now, etc. which have negated development considerably. Among long-term impacts of disasters is the credit worthiness of a state, which makes it fall into a stalemate for a long time after a disaster. Researches suggest that disaster losses are a result of vulnerabilities that build up over time, hence are a mainstream development issue. These are variously physical and socio-economic in nature. The implication is that planned vulnerability reduction has to be undertaken to reduce disaster losses over time. This could be a long drawn out process/procedure, which requires sustained commitment on the part of governments by way of plan funds. However, the same is difficult as disasters are unpredictable/inconsistent phenomena for which consistent budgetary allocation is a difficult policy choice to affect. However, plan commitment is unavoidable since vulnerability reduction is a development effort in that it basically involves dealing with regular development concerns like poverty reduction, employment provision et al to build resilience in communities. What is new now is the realization that a disaster management perspective to development planning had been hitherto lacking in that provision like land use planning has lacked the perspective of flood control or earthquake vulnerability or need for earthquake resistant infrastructure, safeguarding critical technical and legal provision for the same et al. Perhaps the security perspective guided such location decisions, more than disaster management. With the awareness of disaster management, such perspectives would increasingly inform development planning.

18.6 CONCLUSION

Paradigm shifts are in order. In planning, the emphasis would shift from top down to multi level planning. Multi- level planning is expected to improve the position with regard to constraints in policy formulation and increase the efficiency of resource use in economic sectors. It would lead to better interest articulation with regard to local development needs and better inter sector linkages and coordination in planning and implementation respectively at the local level.

As Prof. Dantwala observes, “ both the scope and content of planning shrinks at each successive level. By this argument we are considering only the residuary development functions at the local level. This is not meant as a criticism, rather a statement of fact as devolution of functions and responsibilities have to be in keeping with the local resources and technical expertise of staff. Hence, development planning has to be both institutional and functional in that institutional prerequisites have to be ensured first, for functional devolution to succeed. Hence, a District Planning Committee has been provided for. It would comprise of members

There has been increasing recognition of the need for policy reform by way of delegation of authority and responsibility to lower levels, rationalisation of laws, procedural simplicity to reduce ‘monopoly’ control of local administrative officials over administrative processes which create opportunities/instances of corruption and give impetus to empowerment of

people and civil society to provide for transparent administration. Hence, the emphasis is on removing processional constraints in good governance, which means the emphasis is on procedural reforms rather than only the quantum of investment, which had been the emphasis up till now. The Planning Commission would provide more technical support to states in various facets of plan implementation by way of suggestions for policy responses in the changed macro paradigm of globalisation and market based economy and provide assistance in research and development in different areas of development administration, particularly project formulation for crafting better investment proposals to attract foreign capital and better overall credit worthiness of states which comes from better implementation track record. The ultimate objective of all these measures is ‘good governance.’

18.7 KEY CONCEPTS

- Development Planning** : The orientation of development planning is as per the dominant ‘value’ in macro policy. For example, it is neo- liberalism at present in India, as is all over the world. Accordingly, roll back of the state, control of fiscal expenditure and tie-ups with the voluntary and the private corporate sector inform development planning in India today.
- Public Finance** : Public Finance is the branch of economics studying government expenditure comprising both the study of public revenue, scope and sources of taxation, direct and indirect, borrowings, grants loans et al against public expenditure, reasons for growth, scope for economy et al. Significance of public finance grew inn the post Great Depression New Deal in the United States under President Roosevelt. Arguably, America shifted to a socialist prescription for change
- Good Governance** : As per explanation given in the Tenth Pan document, good governance entails, exercise of legitimate political power and formulation and implementation of policies and programmes that are equitable, transparent, non discriminatory, socially sensitive, participatory and above all, accountable to people. Besides, there could be specific requirements in programs in different contexts, which would be necessary to provide for good governance.
- Plan and Non-Plan Expenditure** : However, a neat dichotomy between plan and non-plan expenditure need not be worked out in practice. Expenditure incurred in building a bridge, for example would be classified plan expenditure in one year and non-plan henceforth (maintenance of bridge) which is nevertheless no less important for development. Scholars have even suggested that the classification may be done away with. However, it would be sufficient to understand that both plan and non-plan expenditure contributes to development. It would not be advisable to de-emphasize either.

18.8 REFERENCES AND FURTHER READING

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18.9 ACTIVITIES

- 1) Explain the rationale of development planning.
- 2) Discuss the requirements in development planning.