Federalism is a living faith to manage diversities and it needs to be supported by institutional mechanisms to facilitate co-operation among the Units and between the Units and the Union. Co-operative federalism is easily endorsed but difficult to practice without adequate means of consultation at all levels of government.

The Constitution has provided only limited institutional arrangements for the purpose. The significant inter-governmental institutions in this regard are Planning Commission, National Development Council and Inter-State Council but regrettably they are not being adequately utilized. As now the idea of co-operative federalism was repeatedly highlighted in the several judgments by Supreme Court, High Court and different Political Parties. As the utility of these institutions is established beyond doubt, it becomes is certainly desirable that these institutions should emerge as specialized forums to deal with inter-governmental relations according to federal principles and constitutional good practices. Various National and Regional governments have given their opinion on the short comings of these institutions and suggest ways to restricting these institutions.

GOVERNMENT OF ANDHRA PRADESH

The State Government observed that much of the friction between the Union and the States areas not covered by the planning bodies could be reduced through Inter-State Council There are several instances which will be outside the scope of process but need to be
considered at highest level. The State forum proved beneficial for discussing even items which fall within the Union List so that even the Central Policies could be formulated after giving an opportunity to the States to express their views and simultaneously hear and understand the reasons of the Union Government for any proposed policy. The Inter-State Council is really a high powered body and the consensus which emerges on various issues discussed in it should be given the highest consideration. Such a course of consultations and consensus is likely to have results which are more long lasting than discussion held between individual ministers and individual officers.

The Planning Commission was originally envisaged to be an expert body which can command the confidence and respect of entire nation. Though national consensus is an essential desideratum for success of plan, the Planning Commission does not always view itself as a body answerable equally to both the Union and States. Its tone, superiority complex, rigid procedures, dictatorial attitude have given rise to resentment among the State Government who have over the years developed their own competence and expertise and have become increasingly assertive of their constitutional position. It has become an instrument at Union level to thwart the State programmes and policies. Most of the schemes like soil, water conservation, minor fishing ports, DPAP etc are in the areas of States constitutional responsibilities but are encroached upon by the Central Ministries. After several attempts through the National Development Council for
reducing the expenditure on Centrally Sponsored Schemes, the National Development Council decided in 1968 that the expenditure of these Centrally Sponsored Schemes, should be limited to 1/6 the total Central Assistance to States. The remedial measures therefore lie in promoting initiative in States and secure involvement of the States in planning process. The national planning process should be vitalized as a conjoint and co-operative effort of the Union and the States. This can be achieved by the establishment through a constitutional provision of the National Planning Development Council with the Prime Minister as the chairman and Chief Minister as the Member.

It is seen that statutory transfer accounts for 40% while discretionary transfers are 60% of the total transfers. It is this preponderance of discretionary transfers (Which are mostly in form of loans) that neglected the principal of viability of State unit and made States vulnerable in their relations with the Union Government. Once a plan is approved, the quantum of assistance to each State from out of the total set aside for States in the Five Year Plan is determined mostly on the basis of the population as per modified Gadgil formula. But the State under the Constitution have a much large immediate touch with the people they are sensitized to the stirrings at the grass roots. Yet they play no meaningful role in planning process.

The quantum of resources set aside in the National Plan for assistance to State Plan which affects the size of the state plan is settled by the Union Finance Ministry and allocated to the Planning
Commission. There is no known objective basis behind the decision of Finance Ministry. The State Government therefore suggest that the transfer of resources outside the purview of Finance Commission should be the sole responsibility of the National Planning Development Council whose constitution we propose. 1

GOVERNMENT OF ASSAM

For the problem and issues which are bound to arise in the working of a developing economy with a democratic form of Government, having by and large a federal framework as India, the mechanism Inter-State council as envisaged in the article 263 for coordination between states is adequate. It encompasses the matters of institutional planning and development policies and may even take over the role of the National Development Council.

The State Government observed that the present system of sending guidelines to the States and asking them to work out their plan scheme in a hurry gives no time for reflection and scrutiny. This should be remedied by sending the guidelines well in advance. Discussions with States by the working groups may be spread over longer periods doing away with the present system of calling all the States together and hurriedly going through each State’s programme in a single day which results in rushing to decisions through bargains rather than any fruitful decision.

The resolution constituting the Planning Commission invested the Commission with certain responsibilities. The Commission is supposed to act as an independent body. Notwithstanding the resolution, the Planning Commission is essentially an agency of Central Ministries. These Ministries through Planning Commission, are in a commanding position in formulation of schemes in respect of which the Central Government Shares expenditures though the schemes fall under State subjects.

The remedy lies in cutting across the tendency on the part of Planning Commission towards dependence on the Central Ministries in formulating its decisions. Interaction should at best be limited to consultation with the Ministry and the State and not beyond that.

The Central Government is nested with virtually unlimited powers. Not to speak of the Union List and those not specified in the Seventh Schedule, the Central Government has over riding power in respect of the Concurrent List. Since economic planning involves decisions of wide dimensions and of serious consequences in the socio-economic fabric of the country, it is proper that the nation’s highest planning level should consist of eminent experts in the sphere of economics, science, technology and management. This body should be of the highest status and responsible only to the National Development Council. It should be free from other influence and act directly under the guidance and direction of the nation’s highest Development Council.
The present system of channelizing central assistance through loans and grants, seems to be working satisfactorily. This channelization should conform to certain criteria outlined by National Development Council. Viz, backwardness of the State and their resource constraint.

The basic objective, should of course, be balanced development of all the States, taking into consideration the special problems confronting each particular State. There should be check against too much inroads into the State schemes based on the special needs of the particular State in an effort to make them confirm to the national priorities. Allowance should be given to the State Planning Machinery to handle the special regional problems on its own. The Planning Commission may, however oversee that the scheme is not too ambitious so as to be beyond the realm of practical implementation. The criteria evolved by the National Development Council for allocating Central Plan Assistance to State places the backward States at a great disadvantage. Advanced States with more resources should go for bigger State Plan. Added to this, private investments are attracted mostly by advanced States and are extremely low in the less development States. This cuts the roots of balanced development of States.

In Assam the State Planning Board oversees the plan formulation and implementation but the extent of effective exercise of the State Board is circumscribed, as the State Plans are prepared
within the guidelines prepared by the Centre. Secondly the strengthening process of the State Planning Machinery has been hindered by excessive inroads by the Centre. The remedy lies in allowing the State Planning Machinery to strengthen itself and to meet its own needs without hinderance within the financial limitations recommended by the Planning Commission. In fact if necessary, States may go beyond the recommendation of the Planning Machinery at the State level to be able to handle its own plan and with the implementation of plan schemes.2

GOVERNMENT OF BIHAR

The State Government observed that the basic role of the Inter-State Council is to reconcile the disputes that arise between the States on the one hand and the Union and the State on the other. So Inter-State Council is perhaps not necessary in view of the fact that there are several other mechanism like Zonal Conferences of Chief Ministers, meeting of the Governors, National Development Council etc, which serve the same purpose. The important factor which goes against the Council is that this body does not have any representative character of democratic base and may even come in clash with the sovereignty of the Parliament. Such a body will not be responsible to the people at large.

The State Government is of the view that adequate opportunities are available for exchanging views with the Planning Commission. The State Government would like the Planning Commission to help the State by getting expert studies conducted in various problem areas suggesting solutions and finding ways to implement the same as well. The Planning Commission besides formulating the plan, be also given the discretion to distribute grants-in-aid on some formula which may help the States essentially the backward States, so as to achieve the basic objective of removal of regional imbalances and disparities.

Although, the Country, as a whole has progressed sufficiently under the present system of centralized planning, it had led to serious regional disparities. It is high, time, therefore, that planning is decentralized at the State level and district level. The decentralized system of planning has two basic advantages. First proximity of planning to the area of development would help deeper understanding of local problems, the resource availability and the felt needs of the people which in turn would help in the formulation of pragmatic and meaningful plans. Secondly, the greater degree of popular participation could be built in the planning process there by ensuring greater response from people.

It is however necessary that statutory status being accorded to the National Development Council. Its role has seen fairly effective otherwise.
The present criteria for allocation of central assistance, as stated above, is disadvantage to backward States. These states with weak financial structure are unable to mobilize adequate resources to finance their development plans. The central assistance is allocated as per Gadgil formula. This system of allocation of funds has, thus failed to remove regional imbalances, which will manifest from the fact that the gap between the per capita income of Bihar and the Country as a whole which will only 32.7 percent during 1972-73 has gone up about 43 percent during 1981-82.

The position of Bihar Vis-à-vis other State in various spheres of socio-economic activities is also quite unsatisfactory, The main reason for such a situation in the state is that the state’s per capita plan outlay has remained the lowest in the Country during successive Five Year Plans.3

**THE GOVERNMENT OF GUJARAT**

The State Government observed that the Inter-State Council is a necessary forum to promote Co-operative Federalism.

The meetings of the National Development Council would be even more purposeful if the States are more effectively associated in the process of finalizing the agenda of the meeting. Apart from annual meeting of National Development Council, there is a need for regular forums such as:

---

(i) Conference of State Planning Secretaries and
(ii) Conference of State Planning Ministers
to consider the various issues, from time to time before submitting the same to the National Development Council. These meeting should be held at regular basis say twice or thrice a year to follow up action on recommendations of National Development Council and discussing in detail procedural aspects of planning and formulation of Centrally Sponsored Schemes. It is also observed that the present practice and procedure adopted by Planning Commission is giving a favourable treatment to some States in terms of definition of key elements of Centrally Sponsored and Central Sector Schemes. For instance, it happens that in the last quarter, amounts not utilized by some States are given to a few States which are adapting in absorbing more than their allotment.

The Central Government should provide detailed information in advance to the States regarding location of the Central Projects. The Planning Commission should be an advisory body only. The Planning Commission should also have necessary independence to advise the Central Government and the State Government in a technical and professional manner.

It is suggested that at least half the personnel in the Planning Commission should be picked on the basis of their track record in the field. The Planning Commission should includes representatives of the States as members in the Planning process.
The State Government is in favour of decentralized planning. In the process of decentralized planning, Gujarat is already in the forefront.

The System of discretionary and incentive outlays placed at the disposal of the District Planning Boards has been effective and popular. This system has induced public participation and involvement of people in decision making process and the implementation of the programmes at local level. The States should be directly and actively associated in the process of determining National goals and targets and in developing the approach and strategy for the Plan.

The States now have acquired experience in the planning progress and have developed the system of plan formulation and implementation. It is suggested that the members of the Planning Commission and senior officials should associate themselves with the State Planning Boards as observers and actively participate in deliberation of the State Planning Boards.4

GOVERNMENT OF JAMMU AND KASHMIR

The State Government is of the view that the Inter-State Council helped in serving the purpose of reducing frictions and eliminating the mutual grievances between the Union and the States and the States *inter se.*

---

It is also pertinent to refer to the role played by the Planning Commission as an extra-constitutional authority which in the exercise of its functions is not governed by any legislative parameter or guidelines. Since it possesses enormous financial powers, the influence therefore it wields on the administration of State is all pervasive. It requires to State Government to seek approval and consent for every little item of expenditure and aid and thereby it not only controls the formulation but also the execution of plans by the States. Thus apart from highly unfair and one sided distribution of financial resources in favour of the Centre, the procedure for allocation of finances to the States is highly arbitrary and at times displays remarkable insensitivity to the developmental needs.

The Planning Commission has been doing reasonably a good job in the given policy framework. In the case of a poorer States like Jammu & Kashmir pattern of financing has to change. This State though classified as special category State is treated differently. Pattern of financing in the case of special category States, as is well known is in the ratio of 90% grant and 10% loan, but in our case it is 70% loan and 30% grant. Repayment of principal and interest thereon are ever on the increase and are main forces widening our resources gap. This pattern of financing has made our plan stagnant because Planning Commission is required to provide for our non plan resources gap also, which is provided entirely at the cost of our plan.
As regards the question of making the Planning Commission an autonomous body under the National Development Council for overseeing planning investment and decision making at national level, there are advantages as well as disadvantages in this proposition, the advantage would be that as an autonomous body working under the National Development Council and to that extent working as a Secretariat for the National Development Council, the Planning Commission would acquire more independence. On the other hand disadvantage is that, keeping in view the Federal Structure of the country and the changes that may take place in the complexion of the State Governments from time to time, the coherence and direction of Planning Commission may suffer. In addition, the liaison of the Planning Commission with the Central Ministers which are changed with the implementation programme of national importance and are provided substantial funds from the Five Year Plan for this purpose, may also suffer.

The Planning Commission should be a high grade advisory body of economists, technologists and management experts. This view is supported because it is only such a body that can prepare Five Year Plans for the whole Country taking into account all the complexities both technical and administrative that the preparation of such a plan involves. It is only with the help of a plan drawn up by such a body of experts that the National Development Council can consider the
GOVERNMENT OF KARNATAKA

Crucial to a harmonious relationship between the Union and the State and between States, are modes of consultation and consensus-making that reflect and advance the federal spirit. In the early decades of national consolidation and democratic and secular institutional building, the task of consensus-making was performed by one democratic party that ruled both the Centre and the States. Under a cohesive leadership occupying positions of authority at various levels and dominated by a person like Jawaharlal Nehru with strong democratic instincts and a capacity to share power with outstanding leaders at the state and lower levels, perhaps the need for institutionalizing federal relations was not pressing. Now with a more complex and multiparty structure of governance, the role of bodies like Inter-State Council becomes vital. The Inter-State Council is serving as a forum for discussions between the Union and the States on matters where there is need for discussing the effects of the Union policies to the States. Issues like regional imbalances, Central investment in the State, mutual economic cooperation among the States and sorting out of any operational problems that may arise in the process of harnessing the natural resources and their

---

development for the benefit of the Country as a whole and all the States are usefully achieved by the Inter-State Council.

There is also urgency to think of All-India Bodies like, National Development Council, Planning Commission etc. as Federal Institutions with a federal mode of functioning rather than as mere arms of the executive at the Centre. The National Development Council should be in fact as in name, the highest authority deciding on all matters of policy regarding mobilisation of resources for development and the uses to which these resources should be put.

The State Government is of the view that the National Development Council and its Standing Committees should be serviced by the Planning Commission. For this purpose, it will be necessary to reconstitute the Planning Commission to enable it to function independently of the Central Government. The Planning Commission should have monitoring responsibility in respect of achievements of plan objectives. But it should have no executive responsibility in respect of either the Central or State Plans. Reconstitution of the Planning Commission will imply that separate boards or authorities should be set up both at the Centre and the States to formulate the constituent plans for each year as well as for the national plan period. It should be the responsibility of these agencies to co-ordinate the activities of functional departments within the corresponding government and to liaise with the Planning Commission.
In order that the Planning Commission should be formally as well as factually independent of the Central Government. Its administrative budget should be shared equally by the Centre and the States as a whole. The share of each state should on the basis of an agreed formula, subject to review by the National Development Council at the beginning of each plan period. The technical staff for the Commission should be appointed by the Commission itself, under such conditions and rules as it may decide.  

**GOVERNMENT OF KERALA**

The State Government feels that there is need for constant consultation between the Centre and the States and between the States themselves in the interests of co-ordination of policy and action. For this purpose, Inter-State council comes out to be an effective forum. The Inter-State Council may also be the National Development council to deal with matters connected with National Planning and Development and economic policies. The State Government suggests that Article 263 be amended to provide that the Inter-State Council which will also be the National Development Council and which will have such composition, functions and powers as may be laid down in the law. The statute should provide for the Council to meet at least once in six months, for Committees of

---

ministers and officers and for presentation of the annual report to the Parliament and the State Legislatures.

Differences between a State and the Centre should be discussed bilaterally for resolution and one of the forums in which such discussions could be held in case bilateral discussions do not succeed will be the inter-State Council. The State Government also urges that any legislation affecting the interests of the States should be undertaken only after a discussion in the Inter-State Council and on the basis its recommendations.

The need for national planning and the role of the Planning Commission as the machinery for planning have now gained general acceptance. But the existing mechanisms and institutional arrangements for plan formulation and implementation leave much to be desired. The preparation of the National plan has to be the joint responsibility of the Centre and the State. But at present there is a virtual absence of any substantive or meaningful discussions between the Planning Commission and the State Governments in determining the basic parameters of the Five Year Plans. It is true that the final outcome of the exercise is placed before the National Development Council, but this is not more than a formality. The suggestion to accord a statutory status to the National Development Council has much to be commended.

Another matter which is proving to be a major source of irritation is the manner in which the plan programmes are finalised. The present procedures involving detailed scrutiny of individual
schemes, big and small, by the Central Working Group are frustrating.

The Institution of a plethora of Centrally Sponsored Schemes has also unsettled the State Plans. While Centrally Sponsored Schemes are necessary in the case of few areas of basic national importance, the introduction of a large number of schemes from very small ones to large ones and the need to find matching funds for them diverts resources from ongoing and other priority State Schemes. Correctives need to be applied in two directions. Firstly, the number of Centrally Sponsored Schemes should be minimal, confined only to programmes which are admittedly of national priority. There should as far as possible form part of the Five Year Plan itself. Secondly, a measure of flexibility should be provided to make the Centrally Sponsored Schemes to suit local requirements.7

**GOVERNMENT OF MADHYA PRADESH**

The Supreme Court of India has the jurisdiction to hear disputes between the States involving the existence or extent of a legal right but certain disputes of non-legal character also arise between the States. Such types of disputes are not fully covered by the Zonal Councils which are in existence. The State Government, therefore, feel that Inter-State Council is more important platform to iron out Inter-State and Union-State differences and issues and thereby to secure better cooperation between the States.

---

It is accepted at all levels that planning should be decentralised and the Government of India have accordingly prepared detailed guidelines for the formulation of district plans in various states. Taking this to its logical conclusion, States will have to be given greater freedom in the formulation of their plans. The Planning Commission may continue to lay down national priorities and targets for various sectors of development planning, but before putting the "Approach to the National Plan" before the National Development Council for their consideration and approval, States should be consulted at length to enable them to express their views on the schemes, proposed therein and to propose their own schemes. Besides, Planning Commission should lay down national targets only in vital sectors like power, major irrigation, family welfare etc. The formulation of other programmes within national guidelines should develop on the States. The present policy of taking up national issues and priorities by the National Development Council may continues dialogue between the planning commission and State Government in formulation of sectoral and area planning of the States, periodical review of progress and a better understanding of the impediments faced by the States. The Planning Commission should also have at least fair representations of the State Governments who should be rotated every year.

The Planning Commission should, however, be empowered to give its own independent view before the National Development
Council. It will of course be the National Development Council which may finally take a final decision which should be carried out by the Planning Commission.

The national priorities will have to be incorporated in the State Plans. However, The Planning Commission while examining the finances and Plans of the States should keep in view the needs of the States, their local conditions and local aspirations. Such States which implement national programmes successfully, should be given incentives.

It is true that the Central Programmes and Centrally Sponsored Schemes tend to distort priorities in the States. The state Government suggested that the present system of financing a new programmes for five years only by the Centre should be extended to a period of at least 10 years. Thereafter, a review may be undertaken to determine the impact of the programmes before it is absorbed in the non-plan expenditure of the State Government. No new Centrally Sponsored Programmes should be introduced in the middle of the year as State Government finds it difficult to provide matching resources.

This very system leads to even financial difficulties. Hence Government of India should determine at the beginning of the plan period their Centrally Sponsored Programmes. If any scheme has to be introduced, then it should always be at the beginning of a new plan year and introduced only after discussions.8

GOVERNMENT OF MAHARASHTRA

We are not agree with the idea of empowerment of Inter-State Council under Article 263 of the Constitution. We feel that any problem between Centre and State or State and State should be resolved by mutual discussion and if necessary with the mediation of the Centre in respect of a dispute between two States and that it is only as a last resort and dire necessity that such a Council be empowered in respect of a particular issue.

Constitution of National Development Council on statutory basis may run counter to the principle of decentralised planning. Non-statutory advisory body will do equally well if it involves the States more meaningfully in the plan formulation in its broad perspective and then leaves it to the States to formulate their plans within the broad policy frame work.

So far as the composition of Planning Commission is concerned, it requires a second look. Adequate representation of the State Government in the formulation of goals and objectives is necessary. After the plan priorities and goals are finalised in consultation with the States, they should be left to formulate their own plans within the broad frame work. It should be a high grade advisory body of Economists, Technologists and Management Experts with a representation of the central Government and the State Governments, at least of the major States. This will ensure the State Government’s point of view being available to the Planning Commission on issue of policy, objectives, goals etc. It is not necessary that the Planning
Commission should be an autonomous body. It may continue to be an advisory body.

The method of allocation of Central assistance thus takes into account the four factors of:

(a) Population
(b) Backwardness of the state adjudged by per capita income
(c) The tax effort
(d) The special problems of the State.

There is no need to change neither in these four factors nor in the percentage allocation that is presently made by the Planning Commission. However, the method adopted by the Planning Commission in respect of the component distributed according to the backwardness of the State and tax effort requires a revision. As regards to the assistance in respect of Externally Aided Projects, It is suggested that the entire external aid which is project-tied should be passed on fully to the State Government, instead of only 70% which is being passed on to the Government as at present.

It is also suggested that any Centrally Assisted Programme or Centrally Sponsored Scheme should be run at least for a period of ten years and wholly assisted by Centre. Whenever a Centrally Sponsored Scheme is abolished or transferred to the State non-plan, an amount equal to the level of committed expenditure reached at that time on
implementation of the programme/scheme should be transferred to the State as long as the scheme is continued.\footnote{Memorandum submitted by Government of Andhra Pradesh to Sarkaria Commission, National Constitution and Punchi Commission.}

**GOVERNMENT OF ORISA**

The State Government consider that it is not necessary to set up an Inter-State Council to iron out Inter-State and Union-State differences as envisaged under Article 263. We feel, it will, not be appropriate to discuss and review the disputes arising out of constitutional obligations devolving either on the Centre or States in a Council. Instead, we would suggest that Inter-State and Union-State differences should be resolved in a forum comprising of representatives from the concerned States and concerned Central Ministries. Any dispute which cannot be settled through such arrangement may be addressed to judicial forums.

State Government does not advocate any major structural change in the process of plan formulation. There is neither any particular advantage in giving the National Development Council a statutory basis nor in making the Planning Commission an autonomous and purely advisory body. The National Development Council should however, evolve a clear working procedure which may be incorporated in a set of Rules of Business, while Planning Commission should have a more decisive role to play in investment planning.
On the issue of channelising central assistance, we have observed that while the resources of the Central Plan are increased progressively during a plan period to offset the impact of inflation, there is no corresponding relief available to the State Plans. The State Government therefore plead for a mechanism to be evolved to stop this erosion in the state's resources as also for determination of overall quantum of central assistance to the States.

While the norms of transfer of plan resources should be made more progressive, it may be realised that since Central Sector Schemes are intended mainly to achieve the National objectives, it is proper that they are fully funded by the Centre, leaving aside the slender resources of the State for other opportune use. Any factor such as matching contribution of the State Government which operates as a fetter on States whose per capita income is below the national level should be done away with.10

**GOVERNMENT OF TAMIL NADU**

The Inter-State Council created under Article 263 has no practical value. It must be remembered that Article 263 speaks about two things namely,

(1) Enquiry into and advice upon Inter-State disputes.

(2) Investigation, discussion and making recommendations upon subjects of common interest States or Union and the states. The tenor

---

and language of Article 263 are such that any advice tendered, recommendations made and conclusions arrived by a Council established under it are not binding on any party. At best, such advices, recommendations etc., may have persuasive value. So, the entire article should be deleted.

The Planning Commission as well as the National Development Council, the two major bodies in charge of planning, are now functioning as only recommendatory bodies without a statutory foundation and recognition unlike the Finance Commission postulated in Article 280. Therefore the following changes in the Constitution of planning bodies may be made:-

(i) The Union Parliament must make law to create a central board of planning. It must define its constitution, functions and power clearly. The Central Board should assess the availability of resources relating to Central Schemes only.

(ii) The State Legislature must pass separate Legislation for the purpose of creating a State Board of Planning. This Board will address itself to resources and priorities regarding States subject matters.

(iii) The plan so prepared by the Central Board and State Board must be submitted to the National Development Council for consideration.

The National Development Council must appoint on expert Advisory Committee consisting of eminent Economists, Scientists,
Management Expects, Sociologists and Engineers. This Committee must give its expert advice within a stipulated period of time. The Advisory Committee must also recommend wherever possible the dove-tailing of schemes suggested by the Central and State boards. This would ensure a meaningful planning exercise without overlooking the State Government's priorities.

However, if the Planning Commission were to continue, then it should be an autonomous body, under the National Development Council. The Planning Commission should not be given such functions as over-seeing planning at State Level and decision making at the National level. It can at best be only an Advisory Body. Final decision should rest with the National Development Council and with the Central and State Governments.\(^\text{11}\)

**GOVERNMENT OF RAJASTHAN**

The Inter-State Council is very helpful in ironing out Inter-State and Union-State differences and issues, ensures better co-operation between them and serving the public interest.

Rajasthan is in favour of Planning Commission’s continuance as a department of Government of India as at present for performing its role towards country’s overall planning. It is, however suggested that the Five Year Plan and Annual Plans should first be discussed at official level with Planning Secretaries of States and there after a sub-

\(^\text{11}\) Memorandum submitted by Government of Andhra Pradesh to Sarkaria Commission, National Constitution and Punchi Commission.
committee of National Development Council may be formed for
detailed deliberations on the notes of discussions of official level
meetings and finally the National Development Council be identified to
ensure that the less developed States are provided with adequate
funds to come up to the level of their developed counter-parts. The
Central role in planning should be to the extent of laying down basic
policy framework and the modalities of achieving the fixed targets
should be left with the States. It appears to be imperative to evolve a
system to ensure full and close co-operation of the States at each
important stage. There is a need to re-structuring the system of
channelising central assistance by way of loan and grants through the
Planning Commission to the States.

As already stated there is a need for re-structuring the system
of channelising central assistance by way of Loan and grants through
the Planning Commission to the States. The present system of
providing the Block Central Assistance in the loan grant ratio of 70:30
is grossly unfavourable, particularly for backward State like
Rajasthan, whose mounting debt burden calls for a fresh look into the
problem.

The system of determining the size of the State Plan does not
take into account the relative backwardness of the State which is
mainly due to their low potential of raising resources. If the backward
States with poor resources are to plan within the scope of their own
financial resources such States being disadvantageous position would
never be able to gear up the pace of development and regional imbalances would get accentuated. It is therefore, suggested that the formula should be evolved in which higher allocation be given to the sparsely populated backward States by giving reasonable weightage to their areas.12

**GOVERNMENT OF UTTAR PRADESH**

The Inter-State Council, as envisaged under Article 263 is saving a useful purpose in sorting out Inter-State differences and issues. There is, however, no need to set up such Councils on a permanent basis. It may be constituted as and when necessary to sort out any particular issue.

The existing procedure for the formulation of State Plans and their finalisation allow adequate interaction between Planning Commission and the States. After the national priorities and targets are fixed, the States should have free hand in allocation of available resources to different sectors of development and to propose programmes and projects for the satisfaction of regional and local needs.

It is felt that once the Central Ministries and the Planning Commission have made their advice known to the State Government to modify their plan programme suitably with reference to characteristic local conditions and there should be no compulsion

---

implied or otherwise for the acceptance of uniform guidelines for all the States.

The State feels that our share in Externally Aided Projects has not been in tune with our size and requirement. The past neglect should now be made up. Similarly, additional assistance should be provided for development of backward hill areas and the Bundelkhand region of this State.

We feel that in case of Centrally Sponsored Schemes, the process of consultations with the States before the scheme is taken up is not adequate. A Centrally Sponsored Scheme should be introduced at the beginning of a Five Year Plan and the Central Ministries should adopt a more flexible policy in modifying the guidelines for different States in accordance with the characteristics of their economy and their needs.13

GOVERNMENT OF TRIPURA

Aritale 263 of the Constitution of India should be amended and reformulated to ensure that the provisions relating to Inter-State Council are made mandatory so as to make it incumbent under the provisions of the Constitution to form on Inter-State Council. The aforesaid Inter-State Council should have among other the following functions.

(a) To give view on any proposal for inter reference with the boundaries of a State, or other matters converted by Article 263 of the Constitution.

(b) To offer its views in case a bill passed by a State Legislature has been referred to the President for his consideration.

(c) To consider proposals for removing a serving Governor.

(d) To decide whether directives are to be issued under Articles 256 and 257 and to reach decisions under Article 365 where such situations are expected to arise.

(e) To decide whether President’s rule should be imposed in a State under Article 356.

(f) To formulate guideline to be followed by the Governor of a State.

(g) To lay down the functions and responsibilities of the permanent agency to supervise and monitor the distribution of resources between the Union and the States.

(h) The National Development Council be supplemented by a properly constituted Inter-State Council in terms of Article 263 as suggested here in above with weightage given to the representation of the State Governments. The Planning Commission should be converted into a Secretariat of the Inter-State Council and its proposals must be decided upon by the Council, again with appropriate weightage given to the points of view of the State Governments. The Union Ministries must not be allowed to impose their ideas on Planning Commission and
the role of Centrally Sponsored Schemes must be drastically reduced. National Development Council as stated here in above should be substituted by the Inter-State Council to be set up in terms of duly amended Article 263 as suggested here in above.

The planning and co-ordination of economic development should be the responsibility of the Centre which however should be carried out in a democratic way through Inter-State Committee in which the States should have equal representation along with the Centre. The process of planning however is unfortunately being used by the Central Government and the party that controls it as it likes. Added to this are such policies of planning pursued by the ruling party as have proved there bankruptly, national economy is as a consequence in shambles.

The real solution for the cries emerging out of this is the total reversal of planning policies this does not perhaps fall into the purview of the legal-constitutional changes which are under consideration by the Commission. We, however would urge that this Commission should not accept either the drive towards centralisation of the work of all economic activity in the States in the name of Central Planning or the abandonment of the centralised planning as is suggested by some other parties. The solution is centralised planning with the active involvement of the States in the formulation and the
implementation of policies, or State autonomy under centralised but
democratic guidance and high decentralisation at lower level.\footnote{Memorandum submitted by Government of Andhra Pradesh to Sarkaria
Commission, National Constitution and Punchi Commission.}

**GOVERNMENT OF PUNJAB**

Disputes arise between States particularly those sharing a common border. There should be an institutional arrangement for resolving these disputes. There may also be subjects in which several or all States may have common interest and it may be very desirable to evolve a common approach to these subjects. This will be facilitated if there exists a common institutional arrangement for the study of such subjects and for coordinating State policies and actions on these. The Inter-State council is provided in our Constitution under Article 263 for the establishment of such an arrangement. An Inter-State Council serves as a forum for consultation and co-ordination among the States.

The Council is also acting as a watch Dog on States interest vis-a-vis the Centre. The decisions of the Council required approval by the Prime Minister and at least two thirds of the other members. The Council have a permanent Secretariat. It is empowered to set up Standing and adhoc Committees.

The National Development Council has more of a symbolic than a substantive role in the planning process. Though the National Development Council is supposed to be the final authority for
approval of the Plans, particularly the Five Year Plans, in practice, it has no choice but to approve the document prepared by the Planning Commission. The National Development Council is usually convened for the approval of the plan when its entire structure has been given a final shape. At this stage it is not possible for National Development Council to suggest basic changes in the plan. Furthermore, the plan document is put up to the National Development Council only after the Union Cabinet has approved of it. This approval is of great political importance for the Centre. It creates the general impression of a national consensus in support of a Plan which is essentially a handiwork of the Planning Commission and centre in general.

The National Development Council is in a better position to intervene in plan preparation when the document spelling out the approach to the Five Year Plan under preparation is put up for its approval. This document gives the proposed broad directions and major dimensions of development and the related policy framework, and not the finished full structure. Changes are certainly possible at this stage but the composition and procedure of National Development Council rules out any significant ones even on this occasion. The National Development Council meeting convened for the purpose proceeds much the same way as when called for approval of the fully worked out Plan. This time too the Chief Ministers read printed speeches mostly unrelated to the approach document. Once again the support of the Central Government and the Chief Ministers belonging
to the ruling party of the Centre ensures the approval of the
document. Even if several Chief Ministers, at the Centre, have strong
reservations or several aspects of the approach to the Plan, the
National Development Council meeting, by its approval of the
document, puts the Planning Commission and the Centre in a
position to claim national consensus in its favour. Since the press is
excluded from the National Development Council, it just puts out the
version of the proceedings given to it by the Planning Commission. In
this version any criticism of the document at the meeting seldom finds
adequate coverage.

The National Development Council though, treated as the apex
organisation of the Planning structure, plays no effective role in the
Planning process. Its principal role is to enable the Planning
Commission and the Centre to claim national acceptance and support
for their dominance of the country's development activities including
those that, under the Constitution are within the jurisdiction of the
State. Dominance of the planning process has been a major
instrument in the hands of the Centre to make heavy in-roads into the
State autonomy.

The planning Commission is a non-statutory body created by
the Central Government by an executive decision. It exists as an
institution solely at the pleasure of the Union Government which
determines its composition, functions and staffing pattern. The States
have no say what so ever in the matter.
The Union Ministries have become increasingly autonomous of the Planning Commission. The role of the Planning Commission vis-a-vis the Union Ministers has been reduced overtime to recording rather than making development decisions and palming off these as the Central Sector Plan presumably to the sheer delight at the letter. A Union Ministry usually comes to the Planning Commission for consultation and approval only when it needs the latter's support against the finance or some other ministry or seeks to ensure approval of its proposal by the Cabinet. Otherwise it resents any interference by the Planning Commission with respect to the preparation of the State Plans. The Planning Commission remains effective control and supervisory agency of the Central Government. It is this role which creates a lot of work for the Planning Commission staff and makes this institution indispensable for the Central Government.

Much of the technical work of the Planning Commission is held back from the public gaze under the very convenient label of "Confidential" or "Secret". This label as the veil in real life, is very often intended to hide ugliness and shoddiness and not beauty and excellence. After all, it took the Planning Commission 20 years to change over from net to gross capital formation in its investment planning.

The responsibility of the Planning Commission may be limited to the Central Sector of the economy. For efficient discharge of its new role as an essentially specialised planning agency for the Central
Sector, the Planning Commission may need to be re-organised on the following lines:

1. Apart from the Prime Minister (the chairman of the Commission) and the Finance Minister, there must be no other ex-officio member of the Commission. The present position with regard to the role and status of the Planning Minister may remain unchanged.

The Commission may have fixed five full time Members. Their respective portfolios may be:

(i) Economic and Financial aspects of planning.
(ii) Agriculture and rural development.
(iii) Industry
(iv) Infrastructural Sectors
(v) Social Services.

Some adjustments in portfolios may be in order depending on the respective specialisation of the members. The Deputy Chairman, in his capacity as executive head of the Commission, may have an essentially coordinating role. The members may be specialists in their respective areas but not narrow specialists. They may have an adequate public stature, a broad vision and a firm commitment to the accepted development objectives. They may not normally be disturbed before the expiry of their five year term. The senior positions in the technical division may be normally manned by specialists both cadre and non-cadre persons. The Commission will no longer perform a coordinating role with regard to State Sector Plans. There may no
longer be any Resources or Working Group discussions with the States. The Planning Commission divisions will now have more time for improvements in their technical work. Each subject division may undertake all aspect and programme appraisal, monitoring, export evaluation and policy formulation. There may be need to be no special Division on these aspects covering the whole economy.15

REVOLUTION COMMUNIST PARTY OF INDIA

The two organizations in charge of Economic and Social planning are the National Development Council and Planning Commission. They have no constitutional or legal status. It is, therefore, needed to supplant this by Inter-State Council with due representatives of the State Governments. For functional purpose both Planning Commission and National Development Council are to abide by guidelines of the Inter-State Council. The Planning Commission by their subservience to the Union Ministries treats the State Government as underlings. The feudal hierarchical structure must be changed.

The question of including Ministers in the Planning Commission does not arise as in our view, it is a highly specialised secretariat to help in the formulation and evolution of both technical and managerial expertise. The National Development Council and Planning Commission.

Commission, as reconstituted would be in a position to offer advice on the over all aspects of planning.

Macro fixation of priorities and targets is the delegated job of the Commission. Detailed suggestions of the Planning Commission as accepted by the Inter-State Council should form the basis of the State Plan for grass root level. This should be in purview of the State instead of subjecting State Plans and proposals to scrutiny for over-riding, the process should be diametrically opposite. The District Plans coordinated into State Plan both priority wise and target wise should be allowed by the Planning Commission acting as a Secretariat of the Inter-State Council. The cost performance and network progress monitoring should be the task of Planning Commission. The question of channelising Central Assistance by way of loans, grants etc. becomes dependent on the restructured role of the Planning Commission.

Once the State Plan based on co-ordination of District Plans is approved and plan size determined the resources should be channelised from the Central loan and grants. Any increment in the size of the State Plan where the resources are raised by the State cannot be with-held on any ground. This covers also World Bank Loans and IDA credits which should reissued when Inter-State Council evolves as master plan on a national scale by coordinating all the State Plans submitted on the basis as stated earlier.
Indian National Congress

Pertinent at this stage is Article 263 of the Constitution. The Article read as follows:

"If at any time it appears to the President that the public interest would be served by the establishment of a Council charged with the duty of-

(a) Inquiring into and advising upon disputes which may have arisen between States;

(b) Investigating and discussing subjects in which some or all of the States, or the Union and one or more of the States, have a common interest; or

(c) Making recommendations upon any such subject and in particular, recommendations for the better coordination of policy and action with respect to the subject,

As a matter of fact, this Council serves as an effective forum for the Union and the States to settle differences which may arise between them by having a dialogue at an appropriate level. There cannot be anything which defies solution after mutual discussion for the simple reason that the interests involved are of the people and in the ultimate analysis there need not be a conflict.

The Planning Commission and National Development Council has been set up with the object of achieving an all round development of the Country. These institutions make effective plans to give a push to the backward areas. In actual practice, It is absolutely necessary to
have a coordinating body like Planning Commission and National Development Council for planned development at various levels in various States. The necessity of coordination cannot be over-emphasised and the system has worked successfully. Planning for the country of the size of a sub-continent like India cannot be left to small regions. Such an approach would further accentuate imbalances. The plan of each State has necessarily to be an integral part of the national plan because the aim is not the development of one State alone but the development of the Nation as a whole. For this purpose, the Planning Commission and National Development Council takes into consideration the resources available in various States and suggest the Plans for various States to fit in National Plan. Plan targets of each State are approved by Planning Commission.

On these vital and relevant considerations, it is submitted that there is justification for any change in the present pattern adopted for economic and social planning and development.

**Janata Party**

The very concept of devolution of power and decentralisation is rendered meaningless if in the planning process right from formulation of Plans upto the stage of implementation, there is no effective participation of the States as well as lower local bodies. At present, in effect, planning has remained a highly centralised process at the apex.
It is essential that the National Development Council becomes the forum for discussion not only of national planning but of decentralised planning through various agencies.

In decentralised planning, it is not necessary for the Planning Commission to scrutinise all the details of the proposals by the State Governments. The national priorities to be observed even in State Plans can emerge on the basis of consensus arrived at between the Centre and the States in National Development Council.

The finalisation of the State Plan outlays should allow the States to make allocations to the districts to facilitate district and Block Development Planning. This is possible if the Planning Commission accords its approval of outlays only for some major sectors of development and leaves the rest to the States to determine the allocations to the Districts on the basis of a well defined formula.

To the extent of devolution of power from the Centre not only to the States but right upto the panchayats as well becomes effective, the decentralised Economic and Social Planning well become a reality.

D.M.K. Party (Dravida Munnetra Kazhagam)

Inter-State Council is very important forum to discuss all economics, fiscal, monetary and financial measures undertaken by the Federal Government.

In respect of any action to be taken in any matter relating to defence, foreign affairs, Interstate communications and currency in so
far as it affects the Centre-State relations or State or States, the Inter-
State Council should be consulted.

Planning Commission And National Development Council

Planning Commission has become the hand-maid of the Centre
and the National Development Council is nothing but a mere rubber-
stamp. The approval of the plan by the National Development Council
is only an empty ritual. Both are not constitutional and statutory
bodies. Then, where is the question of 'Planning from below or "grass-
root level planning"?"

There was not a regular system in the devolution of plan
resources and that sometimes favouratism was shown to some people
according as the predilections of people lay".

As more than two-thirds of the transfer of financial resources
from the Centre to States is of non-statutory character at the
discretion of the Centre, a donor-recipient relationship exist. The
Centre does not want to change this system because it gives them
dominant financial powers. This system should be changed which
cuts the roots of Federalism.

Criticism and Suggestions for improvements

The main criticism voiced by several State Governments and
experts is that over the years the Planning Commission has come to
function as a limb of the Union Government, a far cry from the
original concept of an expert advisory body serving both the Union
and the States "free from the burden of day-to-day administration".

260
This criticism is based on the silent or vocal premise that the Union Government has assumed too dominant a role in the formulation of Plans, even in areas which are very much a part of States' responsibilities. It was pointed out that many a time the Planning Commission is by-passed or is not given due opportunity to examine and render independent advice on the development policies and programmes. It has also been alleged that sometimes the Union Ministries and Departments seeks to use the Planning Commission as an instrument to get the States to fall in line with their own thinking.

Most State Government are of the view that the Planning Commission should not only work independently, without being influenced or dictated to by the Union Government, but should also be seen to be so functioning as an impartial body on objective principles.

At the other end of the spectrum are many State Governments and experts who, while arguing strongly for making the Planning Commission an independent body consisting of expert, functioning and rendering advice, free from political pressures, point out that making the Planning Commission a statutory body would introduce avoidable rigidity in its functioning. It is also stated that it would be impractical to adopt the view that the Planning Commission should be made independent of both the Union and the State Government. The Planning Commission must necessarily continue to remain an
arm of the Union Government but discharge its functions in a federal spirit. It is also suggested that the Planning Commission should be restructured with professional experts and also giving representation to the Chief Ministers on a zonal basis. Another State Government has observed: "A legal framework is usually not suitable for dealing with rapidly changing situations through a multitude of implementing agencies". Yet another State Government has pointed out that in making the Planning Commission an autonomous body under the NDC for over-seeing Plan investment and decision making at the national level, there are advantages as well as disadvantages. According to it, it would make the Planning Commission acquire more independence and objectivity. On the other hand, the disadvantage will be that keeping in view the federal structure of the country and the changes that may take place in the complexion of the States Government from time to time, the coherence and directions of planning may suffer. They are of the view that on the balance, the structure of the Planning Commission as presently constituted could continue although it is important that it is the shortcomings are removed.

It has been suggested by State Governments that the responsibility of the Planning Commission may be limited to the
Central sector of the economy, the preparation of the State Sector Plans being left entirely to the respective State Planning Boards. The Planning Commission should cease to perform a coordinating role with regard to State Sector Plans and there would be no need for Resources Working Group discussion with the States for their Plans.

Regarding the composition of Planning Commission, few States, as also experts, have suggested formal representation of the States on the Planning Commission, e.g., by including two Chief Ministers as Members for a year or two on rotation basis. But most of the suggestions favour that the Planning Commission should have the character of a high-level technical and advisory body with experts in the fields of economics, managements, science and technology, etc.

A few State Governments and others have suggested that the Planning Commission and the Finance Commission should be merged.

Regarding the National Development Council, it was felt by many State Governments that there has not been any marked improvement in the Council’s functioning, even after its reconstitution in 1967. Some of the deficiencies which have been highlighted are enumerated below:
(i) The NDC meets only at the initiative of the planning Commission which determines its agenda.

(ii) The Council has been approving the Approach Paper and the Draft Plans but has not been keeping track of the progress of the Plan. Consideration of other policy questions affecting national development which is one of its stated functions, has been infrequent and insufficient.

(iii) The frequency and duration of its meetings are very inadequate. Only 39 meetings have been held since 1952; the 37th meeting was held after a gap of two years and four months whereas the Resolution constituting it specifies that the Council will meet at least twice each year.

(iv) The Planning Commission does not always put before the Council alternative sets of perspectives, strategies and targets along with the assumptions made to enable it to decide among the choices available.

(v) The conferencing procedure consists of set speeches made by Chief Ministers with very little of mutual discussion.

(vi) The summing up of deliberations often does not reflect the variety of views.

(vii) The time given to States for crystallizing their views is often insufficient.
(viii) The Standing Committees and the Special Committees are not formed or convened on a regular basis for in-depth analysis and consideration of issues.

As a result of the above deficiencies, formalism rather than systematic and effective participation in forging consensus and commitment to national policies is observed to have been the dominant feature of National Development Council's working. It has not been able to guide the Planning Commission in identifying the feasible alternatives so that a choice can be made from among them and has not made critical appraisal of the working of the plan and of the policies, affecting national development. This has also given rise to such complaints, as made by a Chief Minister, that Plan strategies and policies have not been put to sufficient national debate and informed consideration, and have been rather hurriedly put through.