

# REPORT

1977-78



GOVERNMENT OF INDIA  
PLANNING COMMISSION

## **FOREWORD**

This report gives a brief account of the more important activities of the Planning Commission and of studies undertaken during 1977-78. The notes and studies mentioned in this report are mostly internal working papers prepared for official use only.

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## INTRODUCTION

The Planning Commission was reconstituted on May 21, 1977 with the following membership :

Shri Morarji R. Desai, Prime Minister . . . . .	Chairman
Professor D.T. Lakdawala . . . . .	Deputy Chairman
Shri Charan Singh, Minister of Home Affairs . . . . .	Member
Shri Jagjivan Ram, Minister of Defence . . . . .	Member
Shri H.M. Patel, Minister of Finance . . . . .	Member
Shri B. Sivaraman . . . . .	Member
Shri V.G. Rajadhyaksha . . . . .	Member
Professor Raj Krishna . . . . .	Member

The newly-constituted Planning Commission undertook an intensive review of the present state of the country's economic development. It was evident that despite some notable achievements in the course of 27 years of planned development—building up a strong infrastructure for industrial growth, diversification of the industrial production base, increase in wheat production and improvement in export performance—the country was no where within sight of the objective of eradication of poverty. While there had been a modest growth of per capita income, the numbers of unemployed and under-employed were still very high and more than 40% of the population lived below the poverty line. Only a small fraction of the increase in the labour force could hope to find employment in the organised industrial sector. The benefits from the investment on infrastructure had not accrued uniformly to all sections of the population. It was necessary, therefore, to seek new directions of development. To this end Plan priorities needed to be carefully and unambiguously determined and the policies for implementation clearly formulated.

Because of this need to re-formulate Plan objectives and restructure investment priorities, it was decided to terminate the Fifth Five Year Plan a year earlier and to launch a new medium term investment Plan (1978—83) from April, 1978.

The Commission has proposed, and the National Development Council has accepted, that the principal objectives of the next phase of development should be the achievement of—

- (i) the removal of unemployment and significant under-employment;
- (ii) an appreciable rise in the standard of living of the poorest sections of the population;
- (iii) provision by the State of some of the basic needs of the people in these income groups, like clean drinking water, adult literacy, elementary education, health care, rural roads, rural housing for the landless and minimum services for the urban slums.

The achievement of the maximum feasible rate of growth of per capita income, significant reduction in the present disparities of income and wealth and steady progress towards self-reliance would continue to be further objectives of government policy.

In order to attain the principal objectives, emphasis would have to be laid on four areas, namely (a) agriculture and irrigation, (b) cottage and small scale industries, (c) area planning through integrated rural development and (d) provision for minimum needs.

## II

### INNOVATIONS IN PLANNING

The Commission has suggested two new developments in the evolution of the country's planning methodology, viz. (a) the adoption of the rolling plan system and (b) the preparation of comprehensive area development plans at the block level.

#### THE ROLLING PLAN

Some shortcomings in the existing planning process, as revealed by a review of past experience, are indicated below :

- (i) The successive Five Year Plans have tended to assume higher levels of savings and investment in real terms, and consequently, a much higher rate of growth than was warranted by objective considerations. As a result, there has been a growing gap between Plan objectives and actual achievement in all sectors of the economy;
- (ii) The plans did not make any allowance for fluctuations in agricultural output within the plan period, nor was there a machinery for adjustment of the plans to unforeseen external events. The consequence of both (i) and (ii) was that the Third, Fourth and Fifth Five Year Plans were disrupted by inflationary crises, and the resultant unplanned cuts in developmental outlay caused a disruption of Plan priorities;
- (iii) The planning process provided for one mid-term appraisal only, and the corrections made in the course of such a review proved to be inadequate. Thus, if demand or supply in one sector did not develop according to anticipation, the necessary changes in other related sectors were not made in time. Given the character of the mixed

economy, planning of the large self-employed sector in agriculture, household industry and services have to be indicative. The targets for the private corporate sector also are often in the nature of forecasts. Reviews and revisions of steps needed to stimulate the necessary responses and some corrections of targets are, therefore, inherent in the system.

- (iv) Towards the later part of the plan period in a fixed Five Year Plan, the time horizon was too short for investment decisions in many sectors;
- (v) The plans were based on models which provided for theoretical inter-sectoral consistency for the terminal year of the five year period, but the likely imbalances that might arise from year to year were not provided for.

Towards remedying these defects, certain changes in the planning methodology have been proposed :

- (a) Year-to-year targets will be set for sectoral outlays and output for major sectors within the Five Year Plan; performance against these targets will be reviewed annually; and
- (d) The horizon of the Five Year Plan will be extended by working out these selected sectoral targets for one additional year at the end of each year.

As far as major investment decisions are concerned, the rolling plan system will have the clear technical advantages of projections from base levels which can, if necessary, be adjusted annually, continuous correction of errors and a consistent time horizon for investment decisions. This will introduce a greater degree of realism and flexibility in the planning process.

There is no basis for the apprehensions expressed that the introduction of a Rolling Plan system would mean abandonment of long-term objectives, reducing the commitment of the Central and the State Governments to the mobilisation of resources for development, and freeing the implementing agencies from any accountability for non-achievement of targets. The modifications

proposed will not mean either the abandonment of perspective planning or the replacement of the discipline of a five-year framework by ad-hoc annual decision-making. A new 15-year perspective plan will be prepared for charting the longer-term course of development of the economy as a whole, taking demographic factors into account. (Projections for 10 years have been presented in the Draft Plan for 1978—83). The Perspective Plan would provide the framework for investment decisions in long-gestation projections for which a five-year horizon is inadequate, and for planning for land use, water resources, oil and mineral development and manpower. Under the rolling plan, objectives and strategies would not be open to annual review ; nor would the resource-raising efforts of the States and the Centre be allowed to slacken. On the contrary, with annual targets set out for five years ahead at any time, the monitoring of progress against these targets will be subject to stricter reviews. Only a minority of targets will be adjusted at the time of annual review, and the too only if such adjustment is warranted by unforeseen developments or if it is clearly established that a particular target is no longer achievable. Past experience shows that non-revision of a target does not mean that it will in fact be achieved. Also, review, may suggest upward revision of certain targets in growing sectors.

The Rolling Plan system, as envisaged above, will not obviate the need for periodical stock-taking of achievements and failures of the overall economy and of the Central and State Plans. These could conveniently be undertaken once every five years as now: although the system would permit of assessment and review at any time. All major policy decisions would also be reviewed every five years. The constitutional provisions or financial devolution also require periodic re-allocation of resources between the Centre and the States, not less than once in five years. There is thus an advantage in retaining the five-year span for this purpose to enable both the States and the Centre to do their resource planning.

It may be noted here that the Rolling Plan system has proved effective in planning for Defence. It is also common in Corporate Planning.



The new concept would, however, call for strengthening the planning machinery at the Centre and in the States. Some steps have been taken for augmenting the planning, monitoring and evaluation capabilities.

### BLOCK LEVEL PLANNING

Planning in India up-till now has involved the formulation of investment plans for the country as a whole, for the individual States and Union Territories and, in some States, for districts. The new planning strategy envisages a major shift in emphasis towards employment and rural development. For this to be effective development plans will be needed for smaller, more compact areas. The Planning Commission proposes to introduce block-level planning with the following objectives :—

1. Optimum utilisation of the growth potential of the area leading to an increase in income and employment.
2. Ensuring much greater popular participation in development plans than hitherto.
3. Fulfilment of the minimum needs programme—health and medical facilities, drinking water, education and availability at reasonable prices of essential commodities.
4. Greater decentralisation of investment decisions on rural infrastructure, productive schemes and welfare.
5. Reorientation of existing institutions/organisations for the poor in order to protect their interests. Promotion of more equal ownership of assets.
6. Augmenting the duration and productivity of employment of the poor and the under-employed in their existing occupations *interalia* through upgrading of technology, imparting of skills and setting up of non-exploitative institutions of credit, marketing and extension.
7. Alleviating chronic unemployment, where necessary, through employment on public works.

### III

#### WORKING GROUPS FOR THE FIVE YEAR PLAN 1978—83

For the formulation of the new Five Year Plan, as many as 90 working groups were set up touching upon the various sectors, and about 50 of them submitted their interim/final reports. A list of these groups is given in the Annexure. Broadly, the terms of reference of Working Groups are as follows :—

1. to review the performance during the Fifth Plan period, to identify areas in which the policies, planning and employment machinery required to be modified/improved ;
2. to review the present status of a particular sectoral head of development and to assess the trend in demand, capacity and production (1977-78) ;
3. to assess the demand and recommend targets of capacity, production, imports and exports for 1982-83 and the need for creation of further capacity taking into account the desirable level of self-sufficiency and the gestation period of the projects ;
4. to make the recommendations on the role of the public and private sectors and to indicate specific project programmes in the public sector ;
5. to suggest the most advantageous way of achieving the above objectives whether in terms of expansion/diversification of existing units or through establishment of new units with due regard to technological considerations ;
6. to make an assessment of investments necessary for achieving the above capacities and the foreign exchange component thereof (the outlay required in the public sector to be indicated project-wise) ;

7. to indicate year-wise phasing of production and investments for the five year period ;
8. to assess the additional employment likely to be provided by a particular industry or head of development during the period ;
9. to suggest the policy framework for the achievement of the targets ;
10. in order to arrive at a reasonable sequencing of new starts some projection of demand in the following five year period i.e. upto 1987-88 may be required. An estimate of these starts may be made for assessment and resource requirements;
11. to recommend the strategy, policies and the programmes of development including the physical targets for the five year period 1978—83, with particular reference to the requirements in respect of organisational and administrative set-up, credit for improving the production techniques and quality of products, marketing and exports, other assistance and facilities, outlays in the public sector, likely investment from sources, etc. ;
12. to formulate a Five Year Plan for S & T programmes, indicating targets and financial outlays required during each year. The Five Year Plan should deal with optimum use of S & T facility already created and curtailing programmes not relevant in the broad national socio-economic objectives. The Plan and non-Plan component should be shown separately ;
13. the Working Group may constitute sub-Group or co-opt other members, if considered necessary.

## ANNEXURE

### Working Groups set up for Five Year Plan (1978—83)

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S. No.	Head/Working Group
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#### I. Perspective Planning

1. Task Force on projections of Minimum Needs and Effective Consumption Demands.

#### II. Financial Resources

2. Savings. Investments and Financial Resources.

#### III. Agriculture

3. Crop production including production of certified seeds and planting materials.
  4. Agricultural Administration & Extension.
  5. Extension, Education and Training.
  6. Command Area Development and (Consolidation of Holdings).
  7. Minor Irrigation.
  8. Soil and Water Conservation and Land Reclamation.
  9. Inputs (Fertilisers. Pesticides. Manures and Agricultural Machinery and Implements).
  10. Animal Husbandry and Dairying.
  11. Fisheries.
  12. Forestry.
  13. Agricultural Statistics and Demand and Supply Projections.
  14. Integrated Rural Development.
  15. Panchayati Raj.
  16. Rural Credit and Co-operation.
  17. Agricultural Marketing and Role of Regulated Markets.
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S. No.	Head/Working Group
18.	Plantations (Tea, Coffee, Rubber & Cardamom).
19.	Desert Development.
20.	Agricultural Reserach.
21.	Land Reforms.
22.	Food Processing.
23.	Storage, Warehousing including Buffer Stocks.
24.	Research Policy and Funding.
25.	Development of Village Level Rural Associated Organisa- tion of Women.
26.	Voluntary Participation Group For Rural Development.
<b>IV. Irrigation and Flood Control</b>	
27.	Major and Medium Irrigation.
28.	Flood Control.
<b>V. Energy</b>	
29.	Power.
30.	Coal & Lignite.
31.	Petrcleum.
<b>VI. Industry and Minerals</b>	
32.	Fertilisers Industry.
33.	O-rganic Chemical Industry.
34.	Inorganic Chemical Industry.
35.	D-rugs & Pharmaceuticals.
36.	Iron and Steel .
37.	Non-ferrous groups of metals (Aluminium, Copper, Zinc and Lead).
38.	Iron Ore.
39.	Transport, Agricultural & Earth Moving Machinery.
40.	Industrial Machinery.
41.	Electric Power Equipment.
42.	Electronics Industry.
43.	Ship Building and Ship Repair.
44.	Sugar Industry.
45.	Cement.
46.	Leather and Leather Goods Industry.

S. No.	Headings/Working Group
47.	Paper and Paper Board Industry.
48.	Tyres and Tubes.
49.	Textiles (Including Handloom & Powerloom).
50.	Jute Textiles.
51.	Pesticides Industry.
52.	Planning and Manufacture of Petro-chemicals.
53.	Instruments Industry.
54.	Industrial Programmes of Department of Atomic Energy.
<b>VII. Village and Small Industries</b>	
55.	Khadi and Village Industries.
56.	Sericulture.
57.	Handicrafts.
58.	Small Scale Industries.
<b>VIII. Transport &amp; Communications</b>	
59.	Railways.
60.	Communications.
61.	Roads.
62.	Road Transport.
63.	Inland Water Transport.
64.	Ports.
65.	Road Transport.
66.	Tourism.
67.	Civil Air Transport.
68.	Meteorology.
69.	Information & Broadcasting.
<b>IX. Scientific Research</b>	
70.	S & T Programme of Deptt. of Science & Technology and CSIR.
71.	Department of Space.
72.	Atomic Energy—R & D.
<b>X. Education</b>	
73.	Universalisation of Elementary Education.
74.	Adult Education.

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S. No.	Heading/Working Group
75.	Vocationalisation.
76.	Technical Education.
<b>XI. Health &amp; Family Welfare</b>	
77.	Medical Education, Training & Research.
78.	Health Care and Family Welfare in Urban Areas including Family Welfare Programme in Organised Private Sector.
79.	Health Care & Family Welfare in Rural Areas.
80.	Drugs and Food Adulteration.
81.	Indigenous Systems of Medicine & Homoeopathy.
82.	Preventive Medicines and Public Health.
<b>XII. Housing &amp; Urban Development</b>	
83.	Housing.
84.	Urban Development.
85.	Water Supply.
<b>XIII. Employment and Manpower Planning</b>	
86.	Employment of Women.
<b>XIV. Social Welfare</b>	
87.	Social Welfare.
<b>XV. Block Level Plan</b>	
88.	Working Group to prepare guidelines for Block Level Planning.
<b>XVI. Statistics</b>	
89.	Formulation of statistical schemes to be taken up during the Sixth Five Year Plan.
90.	Development of Statistics in North Eastern Region and Hill Areas of Himachal Pradesh.
N.B.	The above does not include the Sub-Groups set-up by number of Working Groups.

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#### IV

### **DRAFT FIVE YEAR PLAN 1978—83**

The National Development Council met on March 18-19, 1978, under the Chairmanship of the Prime Minister to discuss the Draft Five Year Plan 1978—83 presented by the Commission. The Council approved the objectives of removal of unemployment, reduction in poverty and inequalities and continued progress towards self-reliance and generally welcomed the proposals in the Draft Plan in furtherance of these objectives. The Council also approved the corresponding increased allocations for agriculture, rural development, irrigation, flood control and power and village and small scale industries.

The salient features of the Draft Plan 1978—83 are presented below :—

#### **Employment Strategy**

A radical shift in the pattern of investment and appropriate policies or technological choice are required to ensure labour absorption at a satisfactory rate. Analysis of the trends in employment in the organised sector shows that in recent years just about 11 per cent of the annual increase in labour force is absorbed in this sector.

The basic elements of the employment policy in the Plan would be :

- (i) to attain the highest feasible rate of growth, especially in agriculture ;
- (ii) to make the pattern of production more labour intensive; and
- (iii) to regulate technological change so that the rate of growth of employment is maintained at a satisfactory level.

Production targets have been set for the different sectors, and investment has been allocated between sectors keeping in view the need to attain certain targets of employment generation. It is



also necessary for increased labour absorption that the pattern of demand should change towards goods which are produced by labour-intensive methods. It is estimated that, with the existing income distribution, every million rupees of transfer of private consumer demand from the non-poor to the poor will generate 20.2 additional person-years of employment. Private demand can be influenced in the right direction by pursuing policies which inject additional purchasing power among the poverty groups. To this end, the Plan proposes a number of measures. A massive irrigation programme is proposed with a higher component of minor irrigation ; this would shift income to the rural poor by increasing the productivity of small farmers and by increasing the demand for hired as well as the family labour. The need to accelerate redistribution of surplus land is emphasised and small farms are expected to receive a higher share of farm inputs.

The structure of investment under the public sector plan will be such as to create large additional employment. Besides agricultural development, the village and small industries programme would generate considerable employment opportunities. Investment in infrastructure such as roads and water supply, and in social services like health and education have a large construction component with high employment potential. The bulk of these outlays will be in the rural areas. The Revised Minimum Needs Programme alone is expected to create 160 days of employment per year for about one million workers during the next 10 years. The Planning Commission has taken up the analysis of alternative available technologies in a number of sectors of industry, to determine the appropriate distribution of future addition into production capacity between household, small scale and medium or large scale production, in the light of the Plan. Specific policy instruments required to achieve the desired distribution, such as reservation of spheres of production, differential taxation, etc, are being worked out. The studies of the textile and sugar industries have been completed ; those of six other industries are in hand.

To move toward full employment, area-specific development programmes will be necessary. Area planning implies close

identification of employment-creating activities suitable to a particular area and a more intimate involvement in the planning process of the people whom it is hoped to benefit. It is also necessary to develop a policy on farm mechanisation which will maximize employment without affecting agricultural output. Studies have been undertaken towards the formulation of such a policy.

It is estimated that the labour force will increase to 294.8 million in 1983. This will mean an addition of 29.5 million persons in the next five years. Thus, there will be an annual increase of about 6 million on an average, as compared with 5 million a year during the last 7 years. If the planned pattern of investment and production materialises, it will create 49.3 million additional person-years of employment. Of this, 22.8 million will be in agriculture and allied sectors as a result of the growth in irrigation capacity (17 million hectares) and in the animal husbandry, fishery and forestry sectors. New labour absorption in mining and manufacturing may be estimated around 9.4 million person-years, on account of the higher rate of growth projected, particularly in the small industries sector. The huge power programme, the construction component of the whole Plan and the expansion of the infrastructure and social services, particularly in the rural areas, and expansion of the service sector generally should absorb about 17 million person-years. The labour intensity of the whole structure of production is projected to increase, so that while gross domestic product grows 4.7 per cent, employment should grow 5.3 per cent a year. Thus employment generation is planned not only to absorb the additions to the labour force but also to take care of a part of the backlog of unemployment.

### **Poverty Removal**

The numbers of the poor in the country, using any reasonable norm of consumption, is larger than the number of the unemployed and under-employed. The estimates of poverty vary between 40 per cent and 60 per cent of the population, depending upon the norms used. According to a recent estimate by Planning Commission using norms of calorie consumption (explained below),

the percentage of population below the poverty line in 1977-78 may be projected at 48 per cent in rural areas and 41 per cent in urban areas. The total number of poor, so defined, would be about 290 million. About 160 million persons fall even below 75 per cent of this "poverty line". Although the exact estimates are debatable, there can be no doubt of the order or magnitude of the problem of poverty, especially rural poverty.

If the distribution of total national income between income-classes remains the same as at present, the percentage of the population below the poverty line should fall from 46 per cent to 27 per cent in 10 years. If the poverty line is defined at 75% of the consumption level, the decline will be from 26 per cent to 12 per cent. But if the incomes of different categories of people can be effectively redistributed as proposed under the Plan strategy, even thus 12 per cent of the population could rise above the modified poverty line.

#### **Revised Minimum Needs Programme**

Since it is difficult to raise the incomes of the poorest sections quickly enough, it is necessary to supplement the plan outlay on general economic development by specific programme designed to improve their consumption standards. The Draft Plan, therefore, provides for certain basic public services to benefit the rural and urban poor. These are the supply of clean drinking water, provision of house sites for the homeless, village roads, elementary education for all, adult education, basic rural health care, expansion of rural electrification, improvement of urban slums and nutrition for the under nourished.

#### **Towards Greater Equality**

The aim of reducing inequalities of wealth and income cannot be achieved by the instrument of taxation alone. The employment-creation strategy itself will help in reducing income disparities. In the Plan other measures have been suggested to improve the existing distribution of assets, particularly of agricultural land, urban real estate and corporate property. Further, it is necessary that public policy should steer the distribution of essential commodities, infrastructure facilities and social services

in favour of low income consumers. On the production side, the share of small farmers and small industry enterprises in institutional credit and the supply of material inputs needs to be increased and their access to technical and marketing assistance improved. The rural and urban poor have to be organised to ensure that the benefits of various laws, policies and schemes designed to benefit them, do produce their intended effect.

### Rate and pattern of growth

The Draft Plan envisages overall growth rate of 4.7 per cent per annum. This compares with an average rate of growth of 3.9 per cent in the first four years of the Fifth Plan as against the revised Plan target of 4.37 per cent. Consistent with the overall growth rate of 4.7 per cent, the annual growth rate stipulated for agriculture is 3.98 per cent, for industry and minerals 6.92 per cent, for electricity 10.80 per cent., for construction 10.55 per cent, for transport 6.24 per cent and other services 6.01 per cent. The Draft Plan envisages that per capita consumption will raise at the rate of 2.21 per cent in the next five years. Savings as proportion of gross domestic product are expected to rise from 19.8 per cent in 1977-78 to 23.4 per cent in 1982-83. Some of the important output targets are as follows :

#### *Output Projections of Principal Commodities—1982-83*

S. No.	Item	Unit	1977-78	1982-83
1	2	3	4	5
1.	Foodgrains	Mill. Tonnes	121.00	140.48 to 144.48
2.	Sugarcane	Mill. Tonnes	156.90	188.00
3.	Cotton	Lakh bales (170 kg. each)	64.30	81.50 to 92.30
4.	Oilseeds (major)	Lakh tonnes	92.00	112.00 to 115.00
5.	Coal	Mill. Tonnes	103.20	142.00
6.	Crude Petroleum	Mill. Tonnes	10.77	15.00
7.	Cloth—Mill sector	Mill. Mtrs.	4200.00	4600.00
	—Decentralised sector	„	5400.00	7600.00

1	2	3	4	5
8. Nitrogenous Fertiliser (N)	Th. Tonnes		2060.00	4100.00
9. Phosphatic Fertilisers (P <sub>2</sub> O <sub>5</sub> )	Th. Tonnes		660.00	1125.00
10. Paper & Paper Boards	Th. Tonnes		900.00	1250.00
11. Cement	Mill. Tonnes		19.20	29.00 to 30.00
12. Mild Steel	Mill. Tonnes		7.73	11.80
13. Aluminium	Th. Tonnes		180.00	300.00
14. Commercial Vehicles	Th. Numbers		40.00	65.00
15. Electricity Generation	G.W.H.		100.00	167.00

### Plan outlay

The draft Plan proposes a total outlay of Rs. 1,16,240 crores of which the public sector outlay would be Rs. 69,380 crores. The letter represents 59.7% of the total Plan outlay. The Plan outlay proposed for the revised Fifth Plan was Rs. 66,351 crores and the comparable public sector outlay was Rs. 39,322 crores. Outlays and rural and agricultural development account for 43.1% of the total public sector Plan outlay. The following table gives a comparative idea of the sectoral Plan outlays in the Fifth Plan and the Draft Plan (1978—83) :

Sector	5th Plan 1974-79	% of total outlay	Plan 1978-83	(Rs. crores)	
				% of total outlays	% increase in 1978-83 over Fifty Plan
Agriculture & Allied activities	4302	11.0	8600	12.4	99.5
Irrigation & Flood Control	4226	10.7	9650	13.9	128.3
Industry and Minerals (excluding energy)	7362	18.7	10350	14.9	40.6
Energy, Science & Technology	10291	26.2	20800	30.0	102.1
Transport and Communications	6917	17.6	10625	15.3	53.6
Social Services	6224	15.8	9355	13.5	50.1

It is clear that agriculture and rural development are to receive the highest priority in the next Plan. There will be a large step-up in the irrigation potential by 17 million hectares as against 8.6 million hectares created in the first four years of the Fifth Plan. Of this, 9 million hectares will be from minor irrigation and the rest from major and medium irrigation. The priority given to the energy sector is also apparent. The outlay on power, petroleum and coal will be more than doubled, i.e., from Rs. 9,855 crores in the Fifth Plan to Rs. 20,150 crores in the next five years.

### **Resource mobilisation**

The draft Plan suggests wide-ranging steps to broaden the tax base in order to meet the resource requirements of the Plan. The Plan proposes raising of more revenue from indirect levies, and a greater degree of progressivity in direct taxes. It also suggests a reduction in subsidies, review of the present prices of the products of public enterprises. Other suggestions include increase in the rates of contribution to provident funds by Government servants, continuance of the Compulsory Deposit Scheme for tax-payers for the next five years and social security by way of Compulsory Group Insurance for employees in the organised sector. For the States, proposals for additional resource mobilisation include agricultural taxation or a progressive increase in the surcharge in land revenue, market cesses, and revision of irrigation and electricity tariffs. Other measures suggested are extension of rural debentures and mopping-up of a part of the capital gains in land and property values.

The financing scheme of the Plan envisages additional resource mobilisation of Rs. 13,000 crores—Rs. 9,000 crores by the Centre and Rs. 4,000 crores by the States. The gross aid estimates for the Plan period work out at Rs. 8,017 crores. After allowing for repayments of debt of Rs. 2,921 crores and interest payments of Rs. 1,510 crores, the net aid is estimated at Rs. 3,586 crores. The Plan also envisages utilisation of foreign exchange reserves by Rs. 1,180 crores. It is expected that in the future investment plans will cease to be dependent on the quantum of aid. The

ratio of net foreign aid to total investment will be only about 4 per cent as compared with 9 per cent in the final Fifth Plan document.

The scheme of financing, however, leaves an uncovered gap of Rs. 2,226 crores. This gap will have to be covered either by real resources becoming available at levels higher than assumed or by deficits.

### **Plan implementation and public co-operation**

The new priorities in investment will call for changes both in the planning process and in the machinery for implementing and monitoring the progress of the Plan. The planning capability in the Central Ministries, and in public sector corporations will need some strengthening but it is at the level of the State Administrations that the responsibilities for detailed project and programme planning must fall under the priorities of the Draft Plan. The planning machinery at the level needs to be professionalised and integrated more closely with the administrative decision-making process. The Plan will also require the creation of appropriate planning machinery at the block and district levels. At these levels a great deal more of public participation must be aimed at, especially the use of voluntary agencies in planning and plan implementation.

The Plan, whose primary emphasis is on rural development and rural services, will demand a much greater level of organisation and public participation than past Plans. A programme of rural development involves investment decisions not just by a limited number of officials but by millions of farmers workers and artisans. To succeed, the Plan must be able to evoke their enthusiasm and harness their energies, in particular those of the rural poor and the youth of the country.

**ANNUAL PLAN 1978-79****Guidelines**

The guidelines for the formulation of the Annual Plan for 1978-79, issued by the Planning Commission to the Central Ministries, States and Union Territories, emphasised that the projects and programmes to be included in the Annual Plan should be consistent with the strategy and priorities envisaged for the medium-term Five Year Plan (1978-83). Although the drafting of the latter was still incomplete, the Commission tried to ensure that the sectoral outlays in the Annual Plan will be consistent with the inter-sectoral priorities proposed for the next Plan period. The guidelines stressed that the employment objective could only be achieved by a significant increase in labour absorption in the agricultural sector, with consequential growth in employment transport, storage and distribution of agricultural products, and in the services sector. Besides, substantial additional employment was to be aimed at through the expansion of household industries and decentralised small-scale production of certain goods for mass consumption. The broad thrust of the strategy would be to rapidly extend the irrigation coverage, to increase investment in agriculture, animal husbandry, fisheries and forestry, together with rural industries, and to maximised the employment content of area development schemes. It was clarified that besides providing for on-going schemes of high priority, outlays in other sector should be restricted to the investments required to provide inputs for agriculture and rural development, and for necessary infrastructure including energy.

It was explained that although the Fifth Five Year Plan would end in 1977-78, and 1978-79 would be the first year of the new planning period, the resource allocations made by the Sixth Finance Commission would remain in force for 1978-79. The



Gadgil Formula for allocation of Central Plan Assistance to the States would also remain in force. The re-classification of development outlays into 'Plan' and 'Non-Plan', normally undertaken at the end of each Five-year Plan period, would be done with effect from 1st April, 1979.

The State Governments were requested to make a determined effort at mobilising fresh resources for the Annual Plan. This effort was called for not only because the year 1978-79 would be the first year of the Plan but also because of the erosion in resources that had concurred in the course of 1977-78. In estimating resources for the Plan, States were asked to make due allowance for outlays in their non-plan budgets on :

- (a) Operation of existing health, education and agricultural support services at optimum levels.
- (b) Proper maintenance and full utilisation of all physical assets created in earlier Plans e.g., irrigation and power projects, roads and buildings.
- (c) Such support as may be required by State Public Sector enterprises in operation.

These provisions for maintenance and operation of essential services and utilisation of existing productive capacity were discussed with States in the course of the discussion in the Commission on the Annual Plan.

The States were advised that in formulating detailed sector-wise proposals for the Annual Plan 1978-79 :

- (i) Every effort must be made to ensure that irrigation and power projects at advanced stages of construction are completed and commissioned in the shortest possible time; full provision of funds has to be made for this purpose.
- (ii) Continuing schemes in agriculture and related activities and village and small industries should be provided for at least at the same rate as in the current year's Plan. Allocations for quick yielding productive schemes in these sectors would need augmentation.

- (iii) Continuing schemes in sectors other than irrigation, power and agriculture, should be fully provided for if they are at an advanced stage of execution likely to yield benefits within the next 2 to 3 years. Other schemes in these sectors may be reviewed to determine what priority they should enjoy in the new Plan, and if found to be of relatively low priority, particularly from the employment generation point of view, the possibility of discontinuing or rephasing of such schemes may be considered.
- (iv) Subject to the availability of well thought-out schemes and effective machinery for implementation, the provision for the schemes under the Minimum Needs Programme in the 1978-79 Plan may be stepped up significantly from the 1977-78 levels. Special emphasis may be laid on the provision of home sites for landless labour, rural water supply, rural electrification, market roads, and rural health-care facilities. Emphasis in respect of rural elementary schools may be as much on improvement of quality and reduction in the drop-out rate as on starting new schools. In each relevant sector, outlays which may be classed as on account of MNP, may be separately indicated.
- (v) In respect of 'new starts', priority should be given to the irrigation and power sectors. In proposing new starts, however, States should take care to avoid bunching of schemes; the starts have to be phased annually over the next five years. For all new projects proposed to be undertaken in 1978-79, detailed feasibility studies should be available by December, 1977. All new schemes should include estimates of employment likely to be generated indicating employment in the construction phase and permanent employment, separately.
- (vi) There should be adequate provision for surveys and investigations for new projects, especially in the irrigation, power and water supply sectors.

- (vii) States should make provision for: (a) necessary strengthening of the planning and project-formulation machinery at State and district levels, (b) preparation of area development plans, with special emphasis on agriculture and employment at the block levels. This may be done directly by Government agencies and also by voluntary bodies and academic institutions.

In each sector, investments/outlays, attributable to Tribal Sub-Plans, were to be separately indicated. Information about the employment content of the Plan was also asked for.

### Sectoral and State-wise Outlays

Discussion with Central Ministries and State Governments were held to finalise their outlays for the 1978-79 Annual Plan between November, 1977 and early February 1978. In the case of Central Ministries, discussions were held from 16th November till 31st December, 1977. In the case of States and Union Territories, discussions were held with the officials between 28th November, 1977 and 31st January, 1978 and with Chief Ministers between 17th December, 1977 and 6th February, 1978. The following tables indicate the outlays for the Central Ministries and States and Union Territories as decided after the discussions :

*Outlays in the Plan for 1978-79*

Sl. No.	Head of Development	Centre	States	Union Territories	Total
1	2	3	4	5	6
(Rs. crores)					
1.	Agriculture and allied programme	871.62	853.12	29.50	1754.24
2.	Irrigation (Major & Medium)	5.97	1024.51	8.41	1038.89
3.	Flood Control	17.45	104.26	5.00	125.71
4.	Power	243.71	1916.78	36.52	2197.01
5.	Village & Small Industries	139.93	71.81	7.21	218.95
6.	Industry and Mining	2267.53	145.09	1.58	2414.20

1	2	3	4	5	6
7.	Transport and Communi- cations . . . . .	1328.26	424.60	28.83	1781.79
8.	Education . . . . .	115.76	270.56	26.59	412.91
9.	Medical and Public Health	258.20	121.93	12.70	392.83
10.	Water Supply and Sani- tation . . . . .	62.70	253.01	22.17	337.88
11.	Housing . . . . .	68.29	120.83	16.40	205.52
12.	Urban Development inclu- ding State Capital Projects	44.63	77.76	11.10	133.49
13.	Backward Class Welfare .	24.05	70.38	1.77	96.20
14.	Social Welfare . . . . .	20.11	7.39	1.35	28.85
15.	Other Programmes & Services . . . . .	195.78	149.91	5.12	350.81
16.	Tribal Sub-Plan . . . . .	..	70.00	..	70.00
17.	Hill Areas Programmes .	..	52.79	0.40	53.19
18.	North-Eastern Council .	..	35.85	..	35.85
	<b>TOTAL . . . . .</b>	<b>5664.09</b>	<b>5770.58</b>	<b>214.65</b>	<b>11649.32</b>

*Annual Plan 1978-79 States and Union Territories*

Sl. No.	States	1977-78		1978-79
		Approved Outlay	Anticipated Expenditure	Approved Outlay
1	2	3	4	5
				(Rs. crores)
1.	Andhra Pradesh . . . . .	368.75	383.03	449.00
2.	Assam . . . . .	119.39	117.95	155.00
3.	Bihar . . . . .	306.94	309.28	384.14
4.	Gujarat . . . . .	291.58	293.49	335.00
5.	Haryana . . . . .	154.40	167.95	210.00
6.	Himachal Pradesh . . . . .	56.35	56.27	73.00
7.	Jammu & Kashmir . . . . .	89.68	93.86	108.00
8.	Karnataka . . . . .	241.50	245.66	309.00
9.	Kerala . . . . .	141.52	154.01	175.00
10.	Madhya Pradesh . . . . .	355.77	363.86	413.00
11.	Maharashtra . . . . .	661.80	668.74	735.00

	2	3	4	5
12. Manipur . . . . .	23.19	22.75	28.26	
13. Meghalaya . . . . .	24.46	24.34	28.11	
14. Nagaland . . . . .	19.27	20.16	24.53	
15. Orissa . . . . .	154.00	154.51	191.00	
16. Punjab . . . . .	265.50	212.00	260.00	
17. Rajasthan . . . . .	175.30	197.56	235.00	
18. Sikkim . . . . .	12.47	13.46	15.80	
19. Tamil Nadu . . . . .	260.12	260.92	305.00	
20. Tripura . . . . .	15.78	16.61	22.70	
21. Uttar Pradesh . . . . .	654.75	681.79	755.00	
22. West Bengal . . . . .	315.92	316.95	371.40	
<b>Total . . . . .</b>	<b>4708.44</b>	<b>4775.15</b>	<b>5593.94</b>	

*Union Territories*

1. Andaman & Nicobar Islands . . . . .	8.29	8.29	10.44	
2. Arunachal Pradesh . . . . .	14.13	15.41	23.40	
3. Chandigarh . . . . .	11.04	10.26	12.12	
4. Dadra & Nagar Haveli . . . . .	2.61	2.62	3.20	
5. Delhi . . . . .	90.10	90.12	108.00	
6. Goa, Daman, Diu . . . . .	21.06	23.53	27.50	
7. Lakshadweep . . . . .	1.67	1.60	2.44	
8. Mizoram . . . . .	11.07	11.26	16.55	
9. Pondicherry . . . . .	8.43	8.41	10.50	
<b>Total U.T. . . . .</b>	<b>168.40</b>	<b>171.50</b>	<b>214.25</b>	
<b>GRAND TOTAL . . . . .</b>	<b>4876.84</b>	<b>4946.65</b>	<b>5798.19</b>	

## VI

### ACTIVITIES OF DIVISIONS

All the Divisions were engaged during 1977-78 on work dealing with the preparation of the Draft Plan 1978-83. They were responsible for servicing many of the Working Groups and sub-groups. They also prepared background papers and analysis for Plan discussions with the Ministries and States in connection with the formulation of the Annual Plan, 1978-79. Plan schemes and policy issued received from the Ministries were critically examined and the Commission's advice tendered.

Some highlights of the activities of the different Divisions are given below :

#### (1) Perspective Planning

The Perspective Planning Division prepared the data for (i) the chapter on Five-year Production Plan in Perspective; (ii) Saving-investment, as well as, the Balance of Payments sections of the chapter on Financial Resources; and (iii) the chapter on Revised Minimum Needs Programme for the draft Plan 1978-83.

An input-output table of 225 sectors for the Indian Economy 1968-69 was completed in collaboration with Central Statistical Organisation. This was aggregated to 89 sectors and updated to 1977-78 at 1976-77 prices. An input-output model was developed for projecting the sectoral growth in 1982-83 and also 1987-88 using the above 89 sector updated input-output matrix. Estimates of employment for 89 sectors were obtained for 1982-83 and 1987-88 corresponding to the output levels obtained through the input-output model. Employment implications of private consumption, separately for the poor and non-poor sections of the population, were also computed. The exercise also incorporated the use of sub-models for agriculture and for private

consumption. The sub-model for agriculture generated estimates of demand and supply of important crops, while the private consumption sub-model generated estimates of private consumption for 89 sectors for use in the input-output model.

The more important macro-economic exercises carried out in the division related to estimates of domestic savings, separately for public and private (including household) sectors, tax revenues, profits of the public sector, etc. Studies on long-term and short-term performance and prospects of exports, imports and balance of payments were also undertaken. Material balances for 1982-83 and 1987-88 for a number of major industrial and mining products, viz., power, steel, fertilizers, petroleum products, cement, coal, etc., were prepared and cross-checked with the projected output levels by the input-output model. In the formulation of the Revised Minimum Needs Programme, a revision of the norms was undertaken and the Programme was extended to include adult education.

Special studies carried out in the Division, amongst others, were (i) Public Distribution of Essential Commodities; Policy and Problems; (ii) Long-term perspective for Ground-water Resources; and (iii) a study on the Conservation Perspective of Non-renewable Resources. Work was done for the Report of the Working Group on Freight Equalisation. A Task Force was set up on Consumption Requirements and Minimum Needs, which formulated the private consumption sub-model referred to earlier.

## (2) Economic Division

### *Economic Trends & Policies*

The overall performance of the economy and the economic situation particularly with reference to macro-economic trends—agricultural and industrial production, the overall growth of the economy, wholesale and consumer prices, growth in money supply and bank credit to the commercial sector, savings and investment, foreign exchange reserves, etc., were reviewed from

time to time. The Planning Commission was associated with the formulation of price policies and in the decisions regarding fixing of minimum support/procurement prices of major agricultural products, and in the revisions of administered prices such as for coal, cement and petroleum products. The Commission was also concerned with the formulation of the plan for the public procurement and distribution system of essential commodities. Among policy issues examined during the year were the sugar price policy, export of sugar, national policy for oils and fats, and policy for buffer stocks of foodgrains and raw materials.

The data were collected and analysed for the Plan sub-Group on Private Savings and Investment. Exercises were undertaken to estimate the growth of deposits of the commercial banks in the next five years and the availability of bank resources for financing the public sector plan.

### *Resources*

On the eve of Lok Sabha elections and thereafter, a number of State Governments announced various fiscal concessions and increased emoluments for their employees involving erosion of resources for the Plan. A quick review of the States' resources position was, therefore, undertaken on the basis of their Budget Estimates for 1978-79 and the developments which had occurred since the presentation of State budgets. In May, 1977, the Ministry of Finance arranged discussions with certain States, with which the Planning Commission was associated. Subsequently, the Planning Commission prepared an overall assessment of the States' resources position and suggested ways and means of dealing with the problems of gaps for financing the approved Plan outlays of the States. In view of the extraordinary circumstances of the year, the Central Government decided to make available advance Plan assistance to the States for covering half of the assessed residual gaps in their resources for financing the approved Plan outlays in order to maintain the tempo of development.



Work was undertaken in the Economic Division to assess the possibilities of additional resource mobilisation by the Central and State Governments and their enterprises. These Studies formed the basis of the resource estimates adopted in the Draft Five Year Plan, 1978—83.

In connection with the preparation of the Annual Plan for 1978-79, detailed discussions were held with the State Governments and certain Union Territories to assess their resources for the year. As part of these discussions, an assessment of the financial working of the State Electricity Boards and Road Transport Corporations was also undertaken. Besides, specific proposals were worked out for additional resource mobilisation by each State.

#### *International Trade and Development*

India's trade and balance of payments position was reviewed for the Fourth Plan period and the first three years of the Fifth Plan. Brief studies were made on economic conditions in certain countries with special reference to India's trade relations with them, viz., Malaysia, Sri Lanka and Nigeria. Besides commodity studies on certain important export items (e.g. tea, coffee, foodgrains production, etc.), a detailed study was made of import-export policies and procedures in India. In addition, special studies were initiated on unit values of India's exports and imports, and effective rates of protection and domestic resource costs and their role in the formulation of trade policies for the Draft Five Year Plan, 1978—83.

#### *Socio-Economic Research*

The research projects approved during the year for financing by the Planning Commission are enumerated in Annexure I which also indicates the draft reports on Studies received during 1977-78.

During the year the Block-grants were given to the following Research Institutes for continued research activity relevant to

Planning. A Census of Minor Irrigation Units was sponsored. The Census is being undertaken in one tehsil each of 20 districts in 17 States.

### (3) Project Appraisal Division

The Project Appraisal Division (PAD) of the Planning Commission was set up in 1972 in order to ensure that investment decisions on projects to be included in the Plan are taken after adequate examination of the project estimates and consideration of the other alternatives that are available with respect to technology, location, size, etc. In pursuance of this purpose the PAD undertakes the following types of activities :

- (i) It prepares an appraisal note on projects considered by the Public Investment Board (PIB) and Expenditure Finance Committee (EFC). The principal purpose of this note is to analyse the economic impact of the project in the context of the plan and to present a social cost-benefit analysis. The note is prepared in consultation with the concerned divisions in the Planning Commission and is placed before the PIB/EFC when the proposal is discussed;
- (ii) It undertakes methodological work and training in the area of cost-benefit analysis to improve the quality of project formulation and appraisal;
- (iii) It provides assistance to other divisions in the Planning Commission and to other agencies which are required to undertake social cost-benefit analysis;
- (iv) It advises the Commission of the cost-benefit aspects of sectoral programmes and participates in sectoral planning work;
- (v) It comments on the policy implications emerging from cost-benefit analysis.

During the year 1977-78, the Division prepared appraisal notes on about 130 new projects and revised cost estimates whose sector-wise distribution was as follows :—

S. No.	Sector	No. of projects appraised	Total capital cost
			(Rs. crores*)
1.	Fertiliser and Chemicals . . . . .	23	1237
2.	Petroleum & Petro-chemicals . . . . .	12	1248
3.	Coal, Steel, Mines & Metals . . . . .	25	3024
4.	Other Industrial Projects . . . . .	20	299
5.	Power . . . . .	13	1856
6.	Food & Agriculture . . . . .	15	406
7.	Shipping, Transport, Tourism and Civil Aviation	14	317
8.	Communications . . . . .	8	75
		130	8462

\*Total projects cost for new projects and revised cost estimates include costs already incurred.

Guidelines for the preparation of feasibility reports for industrial projects were issued earlier. Draft guidelines for the preparation of feasibility reports for Telecommunication, Mining, Metropolitan Railways, Ports, Power and certain types of agricultural projects were prepared during the year and circulated to experts for comments. The guidelines will be revised on the basis of their criticism and suggestions and circulated to Ministries for comments before finalisation. These draft guidelines have also been sent to the Department of Science and Technology inviting suggestions regarding data required for analysis of choice of technology and environmental aspects. Draft guidelines for revised cost estimates have also been prepared and circulated to experts for comments.

The Division undertook studies on the identification of optimal investment choices in a few sectors. It evolved programming

methods for systematically analysing *inter-se* priorities amongst projects within a sector. It continued to develop methods, norms and parameters required for social cost-benefit analysis.

#### (4) Monitoring and Information

##### *Monitoring*

Monitoring and evaluation of progress of plan projects in the core sectors was further extended to cover "lead" sectors, raising the total number of sectors covered by M&E System to 19. These are listed in Annexure II. In regard to these sectors and projects, Quarterly Status Reports were prepared, highlighting important results of the analysis in terms of production achieved against targets, capacity utilisation, commissioning dates of major projects under construction, long-term production and demand projects, inter-sectoral linkages and problem and action areas. The scope of the quarterly review will be further widened to cover progress of crop production and some agro-based industries like sugar and textiles.

This Division advises Central Ministries, State Governments and Public Sector Undertakings in designing, organising, establishing and strengthening of machinery for plan implementation and monitoring. During the year Andhra Pradesh Government was advised on developing a monitoring system for their tribal development programmes. Training was given to various State officials. A detailed study was undertaken of the monitoring set-up in the States of U.P., Tamil Nadu, Andhra Pradesh and Maharashtra.

The Commission's staff participated and helped in the training programmes organised by the Department of Personnel under the Plan scheme "Training of Personnel for Development". Training programmes were specially developed on systems of Project Planning and Monitoring.

In the context of Annual Plan 1978-79, resource-based networks of 80 major public sector projects from different sectors were analysed and indepth examination of the proposed cutlays

undertaken by linking fund requirements with the schedules, quantity of work, terms of payment, ordering and procurement of major equipment, etc. Assistance was provided to project authorities in the preparation of resource-based networks.

### *Information System*

The work on designing and developing a computer-based Data Bank for the Planning Commission was continued. Detailed lists of individual items of information for filling up various formats of the "Input File Structure" for the Steel sector were finalised.

Work was started during the year on developing a Data Bank in the Planning Commission containing certain minimum data on each Plan scheme. A format for the data record was prepared providing information on physical, financial, employment and benefit aspects of the Plan schemes. A detailed 5-tier classification structure for grouping and coding of plan schemes of all the sectors was developed and finalised. The work on filling up the formats for Plan schemes in the Agriculture sector was taken up.

Work was initiated during the year to coordinate and integrate improvements in the data-base undertaken by different agencies for strengthening planning and policy making. A standing committee was set up under the chairmanship of Dr. Raj Krishna, Member, Planning Commission, to look after this work.

### **Communication System Evaluation**

The studies initiated to evaluate SITE (Satellite Instructional Television) in 1975-76 were completed. This evaluation showed that Television has had a very limited impact in the areas of agriculture and rural development, education, teacher training, extension workers training, health and family welfare, social and behavioural change.

A paper was prepared on 'National Communication Policy' for the Working Group on Broadcasting.

Studies to help policy planning of development communication were initiated in the following areas :

1. SITE Continuity Evaluation.
2. Integrated Communication Strategies in areas having TV and Radio as well as other extension channels.
3. Role of Telecommunications in rural development.
4. Local radio software systems.
5. Krishi Darshan.
6. Educational Television in the public schools in Delhi and in SITE Continuity areas.

#### (5) Programme Evaluation Organisation

During the year, the reports of the following studies were drafted/finalised :—

- (i) Evaluation Study of the Small Farmers, Marginal Farmers and Agricultural Labourers Projects.
- (ii) National Demonstration and Farmers' Education Programme.
- (iii) Quick Survey of Availability and Sale of Controlled Cloth (in 32 urban towns).
- (iv) Report on the State of Preparedness of the Integrated Child Development Services Projects (Volumes I and II).

#### Progress of Studies initiated in earlier years

##### (i) Satellite Instructional Television Experiment (SITE)

The study was conducted in three phases in 6 districts with a view to assessing the impact of the evening telecast on the rural communities in terms of changes in knowledge, attitude and practices. Most of the field data have been processed and the drafting of the report is in progress.

(ii) *Oilseeds Development Programme*

The study covers 7 main oilseed crops. Processing of the field data is continuing.

(iii) *Concessional Finance and other Incentives in Industrially Backward Districts/Areas*

The study was conducted in 14 backward districts in 13 States. The field data collected in connection with the study are being processed.

(iv) *Study of Integrated Child Development Services Scheme (ICDS) :*

The study was conducted in 29 projects (17 rural, 8 tribal and 4 urban) out of the 33 Pilot ICDS Projects, spread over 20 States. The field work for the baseline round was undertaken in 1976. The second round of the study to observe the impact of the programme was launched in the field in October 1977. The field work is expected to be completed soon.

(v) *Joint Evaluation of Employment Guarantee Scheme of Maharashtra*

The study of Joint Evaluation of the Employment Guarantee Scheme conducted in collaboration with the Government of Maharashtra continued during the year. Field work is expected to be completed in March 1978.

**Studies initiated during 1977-78**(i) *Study of Rural Electrification Programme*

The design, methodology and instruments of observation for conducting this study have been finalised.

(ii) *Pilot Projects on Soil and Water Management*

The study has been taken up at the instance of the Ministry of Agriculture and Irrigation. Design, methodology and instruments of enquiry have been finalised and the study launched in the field in January 1978.

*(iii) Study of Embankments of Kosi and Brahmaputra Rivers*

The study has been taken up at the instance of the National Flood Commission and the main objective is to study the impact of embankments on Kosi (Bihar) and Brahmaputra (Assam) rivers in terms of benefit-cost analysis of the projects. The design, methodology and instruments of observation are being prepared and the study will be launched in the field at an early date.

**Conference of the Heads of State Evaluation Organisations**

The two-day Conference of the Heads of State Evaluation Organisations which was held on 14th and 15th November, 1977 in New Delhi broadly agreed on the need for closer coordination between the State Evaluation Organisations and the PEO. It also recommended the setting up of three Committees. viz. :

- (i) Review Committee to examine the existing evaluation machinery in the States;
- (ii) Committee for training for evaluation; and
- (iii) Committee for strengthening of evaluation machinery.

**Computer Services**

The Computer Centre in the Programme Evaluation Organisation, now renamed as Computer Services Division, was set up in 1965. This provides service facilities to all the Divisions of the Planning Commission, the Programme Evaluation Organisation, other Government departments and also to research institutions for their analytical work. During the year under review, besides a number of evaluation studies of the PEO, exercises required for plan formulation, project appraisal, economic analysis and many other applications were completed. Since the existing computer (IBM 1620) was proving inadequate for the fast growing and increasing complex computational tasks of the Planning Commission, it was decided to replace it with a more powerful computer system. A third generation computer system—INTERDATA 8/32 was obtained from the U.S.A.



(6) *Agriculture and Rural Development***Agriculture, Animal Husbandry, Fisheries**

Important schemes examined in this Division included "Operation Flood-II", a comprehensive project on milk production and marketing. An integrated project for cattle breeding and social forestry, intended to assist poorer farmers and labourers, to be implemented through the Bhartiya Agro-Industries Foundation, was recommended to the State Governments of Bihar, Orissa, Andhra Pradesh and Karnataka.

Various proposals for the construction of fishing harbours and programmes for the introduction of survey and training fishing vessels and promotion of deep-sea fisheries, both through public corporations and through private entrepreneurs, were examined and the Agriculture Ministry advised.

**Rural Development**

During the year, the Central Coordination Committee on Rural Development and Employment considered the Integrated Rural Development Programme, launched on an experimental basis in 1975-76. In view of the slow progress, the Committee recommended a change in approach, involving the integration of all the existing schemes such as SFDA, DPAP and CAD. It was decided to extend these schemes to new blocks in districts and to involve voluntary agencies having the necessary competence and resources in block-level planning.

In August 1977, a Seminar on Block-level Planning was organised by the Planning Commission under the Chairmanship of Prof. Raj Krishna. A large number of academic institutions and voluntary agencies active in the field of rural development participated, besides State Governments. Subsequently a group was set up under the chairmanship of Shri B. Sivaraman, to examine the question of participation of voluntary agencies for implementing rural development programmes. A Committee under the Chairmanship of Professor Dantwala was also set up for formulating the guidelines for Block Plans.

Another Committee under the Chairmanship of Shri B. Sivaraman was set up for evolving a suitable strategy of agricultural development in Bhoodan areas and compact areas of surplus land.

In the light of the Integrated Rural Development approach being adopted by the Government, the scope of Small Farmers Development Agencies was enlarged so as to cover rural-artisans.

A Desert Development Programme was approved during 1977-78, covering 17 districts in the hot arid zone of Rajasthan, Haryana and Gujarat and the cold arid zone of Ladakh in Jammu & Kashmir and Spiti region of Lahaul Spiti district in Himachal Pradesh. The Programme aims at an integrated development of the areas so as to raise the productivity of the regions, thereby increasing the income level and employment opportunities of the people.

#### **Irrigation and Command Area Development**

During the year, the Advisory Committee on Irrigation, Flood Control and Multi-purpose projects considered 74 major and medium irrigation and flood control projects.

With a view to expediting the construction of selected on-going and new major and medium irrigation projects and getting additional benefits from them, an extra outlay of Rs. 100 crores was sanctioned in 1977-78 as Advance Plan Assistance.

#### *(7) Power and Energy*

An inter-Ministerial Group on Energy Policy has been constituted by the Planning Commission under the Chairmanship of Secretary, Department of Power, to recommend a national energy policy in both the short and the long terms. The Ministries concerned are Energy, Petroleum, Atomic Energy and Railways. Economists and scientists engaged in research in energy have also been included.

Studies were carried out on power supply position in the five regions during the period 1978-79 to 1983-84. In this exercise,

the estimates for the power demand for each State—both of peak demand and energy up to 1983-84, and the availability of power from on-going generation schemes were worked out.

The financial requirements for the on-going and new generation schemes, transmission and distribution works and rural electrification for the Annual Plan 1978-79 for each State were assessed. These were finalised after discussions with the State Governments and Central Ministries.

On the basis of the assessment of the power position, the various generation schemes required to be taken up for meeting the demand were examined and a number of new schemes approved during the year. Among the schemes considered were Central super thermal stations at Korba, Godavari and Neyveli. Installation of gas turbines was approved for Maharashtra and Assam.

The progress reports of selected power generation projects were analysed to identify critical activities, revision in cost estimates, commissioning schedules and slack. Data cards were developed for compilation of the information in regard to their operating performance. The Monitoring Cell continued providing assistance to the Electricity Boards and the projects authorities in the preparation of the resources based Master Control networks for power projects.

Detailed discussions were held with the State Governments/State Electricity Boards regarding the financial contribution of the State Electricity Boards for the Annual Plan 1978-79.

The Division was associated with the appraisal of major investment decisions on the development of Bombay High and Bassein oilfields. Investment proposals relating to facilities in various refineries for the processing of Bombay High crude, and for marketing the substantially larger quantities of LPG which will become available in the next five years, were examined. The Commission was associated with several Working Groups set up by the Ministry of Petroleum, such as on the utilisation of gas

in Maharashtra, Gujarat and Assam. A closer link with ONGC has now been fostered with the representation of the Planning Commission on the Commission.

A review of the performance of the coal and lignite industries during the Fifth Five Year Plan was undertaken and the various problems related to demand, production, distribution, marketing and stocks analysed so as to rationalise these aspects of development in the ensuing Plan periods. The qualitative and quantitative requirements of coal and lignite for the period of 1978-83, the manner in which the programmes of production would require to be rationalised to meet the envisaged requirements, and the requirements of funds for the various schemes/proposals were assessed. The need for embarking on a planned programme of conservation of coking coal, including imports of coking coal, was studied.

#### (8) *Industry & Minerals*

In the light of the recommendations of the Working Groups and keeping in view the plan priorities, exercises were undertaken to determine the targets for 1982-83 for selected industries. The likely investments in the public and private sectors for these industries during 1978-83 were also estimated.

The economic feasibility of a number of public sector projects/proposals was examined.

Among the important issues studied were drugs policy, the location, size and phasing of new fertiliser projects, the alloy steel expansion programme, pricing of aluminium and cement, taking over the sick units, relaxation of licensing procedures and incentives for 'industrially backward areas'.

Considerable progress was made towards the setting up of a Data Bank on steel and aluminium. A number of formats for collection, storage and retrieval of data were finalised and the appropriate classification codes given.

(9) *Village and Small Industries*

Districtwise data in respect of six industries (viz., food products, beverages and tobacco, cotton textiles, textile products, wood and wood products and leather) were collected from the 1971 Census and forwarded to all the States and Union Territories, requesting them to make a detailed study of the problems of these industries with a view to formulating programmes and schemes for their development on a periority basis.

Several proposals and reports were examined and approved; the more important of these were : up-dating of the data collected through the Census of Small Scale Industries (with reference to the year 1972); production of woollen blankets and woollen and silk khadi; intensive development of sericulture in certain States; setting up of pilot project centres in the tropical tasar areas and oak tasar grainages in the temperate areas; and extension of the Central Scheme of Transport Subsidy to industries in Sikkim.

The progress of the programme for the development of oak tasar silk in the North-eastern region and of the scheme for training of carpet weavers was reviewed.

A study was undertaken of the leather industry in Tamil Nadu and follow-up action initiated.

(10) *Transport & Communications*

As part of the exercise for determination of resources of the States for 1978-79, the working of the State Road Transport Corporations/undertakings was reviewed at meetings with the State officials. A review was made of the fleet utilisation, costs, earnings etc. for making suitable suggestions to the undertakings to improve their levels of efficiency. Among the issues studied were the economic and social justification for new railway lines, the re-equipment policy of airlines, the requirements of capacity of the telecommunications network and the expansion of T.V. coverage of rural and urban areas.

A study of Comparative Cost and Commodity and Passenger Flows was undertaken through the Rail India Technical 'Economic Services (RITES)'. The objective of the Study is to obtain data on transport cost and flow for building a strategic transport planning model as an aid to formulating transport policy for short term as well as a perspective for a longer time horizon. The first phase of the study is in progress.

### (11) Education

A study of elementary education in selected blocks in 9 States was undertaken jointly by the Ministry of Education NCERT and the Planning Commission, along with the authorities of the concerned States. Apart from finalisation of schedules and other details of information collection and analysis, orientation training was also organised for State level personnel.

The Commission approved a Centrally sponsored schemes for improvement of selected engineering colleges and polytechnics and participated in the work of the committees set up for the purpose.

The Commission extended assistance to Governments of States/Union Territories in regard to specific aspects of educational planning and development. These included educational development in Dadra and Nagar Haveli, educational planning at the block level in Ghatol in Banswara District (Rajasthan), expansion of elementary education in Arunachal Pradesh and working out of detailed estimates of cost for universal elementary education in the eight educationally backward States.

The National Staff College for Educational Planners and Administrators, in collaboration with the Ministry of Education and Planning Commission, organised the first Training Seminar for State Education Planning Officers in New Delhi.

The major areas covered by the studies undertaken during the year included non-formal education programmes at elementary stage in Gujarat, adult education programme under Delhi Administration, educated unemployment, non-Plan expenditure

on education, capital expenditure under plan and non-Plan budget, and trends of change in recurring and non-recurring components of Government expenditure on education.

### (12) Scientific Research

Special emphasis was accorded to formulation of Science and Technology (S&T) plan programmes in various sectors and promoting closer linkage between public sector units, Ministries/ Departments and user agencies on the one hand and research laboratories on the other. Work was initiated on formulation of S & T plan for the next Five Year Plan.

Projects for foreign technical assistance from UNDP and various bilateral programmes were examined in important fields such as remote sensing, electronics design technology, rapeseed/ mustard improvement and oil and protein utilisation, reparation of protein from cellulosic material, tool room and training facilities, oceanographic research equipment and vessels, etc.

Assistance was extended in examination/preparation of (a) India—UNDP action plan 1977, (b) Danish technical assistance to India (1977-81), (c) Indo-FRG technical cooperation programme, and (d) Norwegian technical assistance to India.

Limited studies were undertaken on testing facilities and planning, organisation and management of Science in India.

### (13) Health, Family Welfare & Nutrition

The Division was associated with a Working Group set up by the Bureau of Public Enterprises to formulate norms for health facilities in townships of public enterprises. The Community Health Workers' programme drawn up by the Ministry of Health and Family Welfare was discussed at a series of meetings held in Planning Commission and the programme was approved for implementation on an experimental basis with effect from 2nd October, 1977. The mode of implementation of this programme was discussed in Conferences convened by the Ministry of Health and Family Welfare; Planning Commission was associated with these discussions.

#### (14) Housing, Urban Development and Water Supply

##### *Housing and Urban Development*

Feasibility reports of several State Governments for various urban development programmes under the Central Scheme of integrated Urban Development were examined. The Calcutta Metropolitan Development (Amendment) Bill 1977, was examined and cleared for grant of President's assent.

##### *Water Supply*

In the context of preparation of the next Five Year Plan, 1978-83, a Working Group was constituted by the Ministry of Works & Housing and the Planning Commission was represented on it.

Among important proposals examined during the year, were the feasibility study of Haldia Industrial Area Water Supply (Enhancement) Project and Thar Desert Water Supply Project.

An additional assistance of Rs. 40 crores was extended to the States under the Central sector for the accelerated rural water supply programme.

#### (15) Welfare of Backward Classes and Social Welfare

Guidelines were sent to the Central Ministries for the formulation of programmes under Tribal sub-Plans. The Tribal sub-Plans were implemented in 16 States and 2 Union Territories. Allocations and inter-sectoral priorities in physical and financial terms under different heads of development for State Plan and Special Central Assistance were worked out. The proposals for inclusion of additional areas under Tribal sub-Plans received from different States were examined. The State Governments having Tribal sub-Plans submitted reports of 18 Integrated Tribal Development Projects. Steps were initiated to quantify funds from general sector programmes for the development of the Scheduled Castes.

The Division was closely associated with the Department of Social Welfare and its agencies, namely National Institute of



Social Defence, National Institute of Public Cooperation and Child Development and the Central Social Welfare Board. It assisted various committees of voluntary organisations working in the field of social welfare. e.g., Indian Council of Social Welfare. Association for Social Health in India, etc.

#### **(16) Employment and Manpower Planning**

The employment and manpower situation in the country was generally kept under review. Studies were conducted to analyse the various aspects of employment and unemployment situation. Trends in employment in agriculture and the organised sector of industry were studied to assess their potential for absorption of labour force. Estimates were also prepared for potential employment of additional labour force in the unorganised and informal sectors of the economy.

Manpower planning arrangements in the States and at the Centre continued to be reviewed. A note on methodology for the estimation of stock, requirement and availability of technical manpower categories was prepared and circulated among the State Governments and Union Territories. Studies were conducted on manpower situation in Rajasthan and a paper prepared on Rural Employment in India. In the context of the new Five Year Plan, studies were carried out for the estimation of stock, employment and unemployment of important categories of manpower in 1977-78 and 1982-83. Projections of educational break-up of population for 1977-78 and 1982-83 based on census and other relevant data, were also made.

#### **(17) Statistics and Surveys**

Technical details of the statistical schemes proposed by the Central Ministries/Departments and the State Governments were examined for inclusion in the Annual Plan, 1978-79.

A special course in 'Planning Statistics' was organised for trainees of the Junior Certificate Course.

The following publications were brought out during the year:—

- (i) Basic Statistics relating to the Indian Economy; 1975-76; and
- (ii) "India's Economic Progress in Figures" (in the form of a card).

**(18) Plan Information and Public Cooperation**

The following publications were brought out during the year:—

- (i) High Yielding Varieties Programme in India ;
- (ii) Joint Study of Employment Guarantee Scheme of Maharashtra ;
- (iii) Report of the Inter-Ministerial Group on Freight Equalisation of Commodities.

**(19) Indo-Japan Committee**

The composition of the two constituent Committees of the Indo-Japan Committee in 1977-78 was as under :—

*Japan Committee :*

Honorary Members :

1. Prof. Ichiro Nakayama.
2. Dr. Shigeo Nagano
3. Dr. S. Tobta
4. Mr. Y. Iwasa
5. Mr. S. Matsumoto

Members :

1. Mr. Shinsaku Hogen, President of the Japan International Cooperation Agency (Chairman).
2. Dr. Saburo Okita
3. Mr. Eichi Hashimoto, Chairman of the Board of Directors, Mitsui & Co., Ltd.
4. Prof. Kinhide Mushakoji, Director, Institute of International Relations, Sophia University.
5. Mr. Kohei Ohkata—Member Secretary.

The India Committee was reconstituted in September, 1976 with the following as members :

1. Shri G. Parthasarthy—Chairman.
2. Prof. S. Chakravarthi, Former Member, Planning Commission.
3. Shri M. Narsimhan—Former Additional Secretary, Ministry of Finance.
4. Dr. A. Ramachandran—Secretary, Department of Science and Technology.
5. Shri H. P. Nanda, Industrialist.

The India Committee has been publishing the *Japan Quarterly* and bringing out the *Monthly digest of Japan*. The *Quarterly* publishes articles on all aspects of India-Japan relations to bridge the gap of communication between the two countries. The *Monthly Digest* concentrates on the economic aspects of Japan. Through these two publications, information on Japan is disseminated.

A bibliography of books written by Indians on Japan and by Japanese on India covering the post-war period was published and distributed to educational institutions, organisations and individuals concerned.

Presently, the India Committee is engaged on writing a survey on Indo-Japanese economic relations from recorded times to the present. Besides, several special studies on Japan have been undertaken.

## (20) General Administration

### (i) *Use of Hindi*

During the year, the following documents were brought out in Hindi :—

1. A review of Important Activities and Studies—1976-77 ;
2. Notes of Parliamentary Consultative Committee.

In pursuance of implementation of Official Language Policy and O.L. Rules, 1976, there has been substantial progress in the use of Hindi in the official work of the Planning Commission, especially in correspondence, general orders and bilingual forms.

(ii) *Administration : SC/ST Reservation*

The Director (Administration) Functions as the liaison officer for the purpose. A communal roster is being maintained. Periodic checks are conducted to ensure that the various orders and instructions regarding reservations of Scheduled Castes/Scheduled Tribes are being strictly observed.

(iii) *Library*

The Planning Commission Library which is a research and reference library, continued to provide reference service and lending facilities to all the staff members of the Planning Commission including P.E.O. and Computer Services Division. Besides, it provided consultation facilities to the researchers, scholars and officers of other organisations, institutions and universities, etc. During the period under report, 2346 volumes were added and the 556 titles of periodicals received. The Library answered 2327 reference questions, prepared seven bibliographies and attended to 8417 persons; about 26900 readers visited the Library.

As usual, the Library brought out regularly a weekly list of selected articles indexed out of the Journals received and a weekly list of new books added.

## ANNEXURE I

- (i) "Research Study of the Organisational Structure and Financial Policies of the State Electricity Boards" by Shri H.R. Seshagiri Rao, Institute of Public Enterprise, Hyderabad.
- (ii) "Multinationals, Technology and Industrial Structure" by Shri K.K. Subramanian, Sardar Patel Institute of Economic and Social Research, Ahmedabad.
- (iii) "Study of the Family Time Disposition in the context of Development Planning in Hill Areas of U.P." by Shri S.P. Ahuja, Institute of Economic and Market Research, New Delhi.
- (iv) "Study of Handicrafts and Tribal Crafts of Orissa with special reference to their marketing" by Prof. B.R. Mishra, National Institute of Social Welfare and Social Sciences, Bhubaneswar.
- (v) "Comparative Economics of Selected Appropriate Technological Models suitable for Rural Industrialisation" by Dr. Ram Das, Gandhi Peace Foundation, New Delhi.
- (vi) "Comparative Study of Certain Selected Industries under Sub-sector Economics" Administrative Staff College of India, Hyderabad.
- (vii) "Household Savings, Income and Investments" by Shri S.P. Ahuja, Institute of Economic and Market Research, New Delhi.

During 1977-78, the following draft reports on Research Studies were received :

- (i) "Integrated Rural Development of Western Ghats," Administrative Staff College of India, Hyderabad.

- (ii) "Papers presented in the Seminar on Regional Patterns of Agricultural Development", the Giri Institute of Development Studies, Lucknow.
- (iii) "Distribution of Consumer Goods in Rural Areas", National Institute of Cooperative Management, Pune.
- (iv) "Papers presented in National Seminar on Strategy of Planning for Employment" organised by Indian Economic Association at Tirupati.

The following reports on research studies were published :

- (i) "Incentive Schemes in Different Industries" by N.C. Corporation Pvt. Ltd., Bombay.
- (ii) "Development Strategy for an Agricultural Region— A Case Study of Muzaffarnagar District, U.P." by Prof. V.L.S. Prakasa Rao.
- (iii) "Distribution of Benefits from Government Expenditure : A Case Study in Selected Districts" by Shri S.P. Ahuja, Institute of Economic and Market Research, New Delhi.

Financial assistance was given by the Planning Commission for the following Seminars :

- (i) Seminar on "Regional Pattern of Agricultural Development" organised by the Giri Institute of Development Studies, Lucknow, in August, 1977.
- (ii) Seminar on "Strategy of Planning for Employment" organised by Indian Economic Association at Tirupati in December, 1977.

## ANNEXURE II

### SECTORS BEING MONITORED BY PLANNING COMMISSION

1. Fertilisers
2. Petroleum
3. Petro-chemicals
4. Steel
5. Iron Ore
6. Aluminium
7. Copper
8. Zinc
7. Lead
10. Heavy Industry
11. Cement
12. Paper & Newsprint
13. Textiles
14. Sugar
15. Coal & Lignite
16. Power
17. Railways
18. Major Ports
19. Irrigation