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A strategic need or  
an ideological shift?

**Rashmi Kulkarni**







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### **About the Author**

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## **NITI Aayog- A strategic need or an ideological shift?**

In his Independence Day speech in 2014, Prime Minister Narendra Modi, had announced the need for replacing the planning commission, a socialist era institution, with a new body keeping in view the changed economic scenario. The abolishing of planning commission may be debated by many as it has been actively pursued by the new government. But this decision also finds backing in the fact that the previous Prime Minister Dr. Manmohan Singh had himself opined the need to reshuffle the Planning Commission to make better its viability and functionality.

The central government, on January 7, 2015, passed a cabinet resolution, releasing the scope of a new institution and an outline of its functioning. Since, the Modi led BJP government came in power, there have been a number of decisions taken by the centre that have made the policy makers, the subject experts and other political forces debate the consequences of their implementation. But, the major topic of discussion has been Modi government's decision to scrap the Planning Commission and establish the National Institute for Transforming India (NITI Aayog) in its place.

As per the information issued by the Press Information Bureau, "NITI Aayog will seek to provide a critical, directional, and strategic input into the development process of the country and its states." Explaining the decision as an outcome of discussions with the subject experts, it further states, "This comes after extensive consultation across the spectrum of stakeholders, including state governments, domain experts and relevant institutions." In order to understand the fundamental difference between the two bodies, we must understand the establishment and growth of the Planning Commission.

## **The Planning Commission**

The Planning Commission was established on March 15, 1950 by a cabinet resolution. India, traditionally constituting several provincial powers, had its substantial amount of resources in private hands and under the large capitalists and landlords, and hence it fell outside the purview of the planning process. In his article titled, 'The NITI Aayog', published in the People's Democracy, Prabhat Patnaik states, "this flaw was sought to be overcome, at least partially, through instituting a system of licensing that was supposed to ensure that private capital accumulation did not violate social priority, and did not lead to further concentration of wealth."

Whether or not this instrument managed to achieve, in practice, the objectives for which it was supposed to be used, is a matter of debate. As added by Patnaik, another obvious flaw was that the Planning Commission was envisaged as a mere Departmental body of the Central government, where there was no representation from the states. "This did not matter in the beginning when the same political party ruled at the Centre and in the states; but it later became a serious limitation of the planning process, since this process came into conflict with the federal nature of the Indian polity," he writes.

### **Was the Planning Commission a one way policy flow?**

The symbol of the Planning Commission was its centre-to-state one-way flow of policy. This is now sought to be replaced by a genuine and continuing partnership of states. And, as the modern policy makers state, with the abolishment of Planning Commission, the era of regimented decision-making on economic issues is over; India is going to be a full-fledged open economic system.

In his article titled 'The prehistory of the abolition of the Planning Commission', Ashok Mitra stated, "the commission continued to exist, but became just another ministry of the government of India. Sometimes, it even happened that a member of the Union cabinet in charge of a portfolio like labour or industry would also double up as the minister in charge of the commission, formally known as the deputy chairman. It had some discretionary funds at its disposal that it was supposed to distribute among the states after it appraised the plans of the individual states. This arrangement clearly allows it - and the Union government - scope to play favourites, and to shower additional bounty on the states that are politically good boys while pinching on the granting of funds to states that are to be considered."

### **Abolition of National Development Council**

Throwing light upon the abolition of National Development Council and its impact on the state of affairs, Prabhat Patnaik stated that the disappearance of the Planning Commission, would mean that what used to be planned transfers would now be doled out through the Finance Ministry which would entail both a possible reduction in the total magnitude of transfers and a definite increase in the centre's control over state's plans.

"With the abolition of the National Development council (NDC) where the state chief ministers were represented, the centre has tightened its control over the states. NDC, though not a constitutional body, had a commanding presence, where the states, deriving strength from one another made a definite impact. The elimination of NDC is a major blow to the power of the states. While the governing council where Chief Ministers are to be represented is likely to be a purely formal body concerned with the "governance" of the NITI Aayog, rather than with basic development issues, the meetings of the regional councils are likely to be occasions where the states supplicate to the centre for some or the other favour.



Rather than serious challenges to central schemes and programmes. The NITI Aayog era will mean that states will not be allowed to go their own ways, not even to the extent that the planning commission era had allowed”, he added.

### **The substitution of Planning Commission by NITI Aayog**

Explaining the scope of NITI Aayog in comparison of the Planning Commission, Ashok Mitra stated, “If the Niti Aayog takes it in its head that it has the prerogative to reformulate the Directive Principles of State Policy and restructure an Indian citizen's basic rights and privileges, it would open the floodgates of trouble and turbulence. Any such move on its part would be tantamount to violating the provisions of the country's Constitution.” Taking this view further, Prabhat Patnaik has stated that the substitution of the Planning Commission by the NITI Aayog is not just a means of providing greater elbow room to the corporate-financial oligarchy; it is simultaneously a means of curbing the states’ economic powers. He added, “The neo-liberal State whose consolidation it carries forward is simultaneously a highly centralized State in terms of political and economic authority.”

### **The scope of NITI Aayog**

The objective of NITI Aayog is to evolve a shared vision of national development priorities, sectors and strategies with the active involvement of states in the light of national objectives. Focusing on the same, the PIB states, through the following India will be able to face complex challenges:

- Leveraging of India's demographic dividend, and realization of the potential of youth, men and women, through education, skill development, elimination of gender bias, and employment.

- Elimination of poverty, and the chance for every Indian to live a life of dignity and self-respect.
- Redressal of inequalities based on gender bias, caste and economic disparities
- Integrate villages institutionally into the development process.
- Policy support to more than 50 million small businesses, which are a major source of employment creation.
- Safeguarding of our environmental and ecological assets.

Prime Minister Narendra Modi has quoted a proactive and participative development agenda as the guiding principle behind NITI Aayog. Other than the objectives stated above, the NITI Aayog will be significant in terms of seeking to provide a critical and strategic input into the governance process. It will develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government. On areas that are specifically referred to it, the NITI Aayog will ensure that the interests of national security are incorporated in economic strategy and policy. Considering the need to social equality, it will pay special attention to the sections of the society that may be at a risk of not benefiting adequately from economic progress.

So, what has been perceived as a step towards strengthening the commitment of cooperative federalism, NITI Aayog, at the same time, aims at the promotion of citizen engagement. It promises egalitarian access to opportunity, participative and adaptive governance with the help of increasing use of technology.

## **What does the Cabinet Resolution state?**

The resolution describing the NITI Aayog, approved by the Cabinet, reaffirms that India is a diverse country with distinct languages, faiths and cultural ecosystems. This diversity has enriched the totality of the Indian experience and politically too, India has embraced a greater measure of pluralism which has reshaped the federal consensus, it says. States do not want to be mere appendages of the Centre, but seek a decisive say in determining the architecture of economic growth and development.

Highlighting the traditional problem of poverty, it states that our country no longer seeks the alleviation of poverty, but rather its elimination. Making a strong point in displaying the will to fight this traditional problem, it says, "Poverty elimination remains one of the most important metrics by which alone we should measure our success as a nation. The essence of India's middle class, including the neo-middle class, is unique in terms of its size and purchasing power. Our continuing challenge is to ensure that this economically vibrant group remains engaged and its potential is fully realised."

The government's belief in promoting entrepreneurship at a large scale is noted in the resolution quite clearly. It states that policy-making must focus on providing necessary support to the more than 50 million small businesses, which are a major source of employment creation, in terms of skill and knowledge upgrades and access to financial capital and relevant technology. Keeping in consideration the strong group of Non-Resident Indians, the resolution also says that the NRI community spread across more than 200 countries is a significant geo-economic and geo-political strength. Future national policies must incorporate this strength in order to broaden their participation in the new India beyond just their financial support.

## The administrative structure of NITI Aayog

Let us look at the administrative structure of the NITI Aayog. With Prime Minister as the Chairperson, the core group will consist of a Vice-Chairman and a CEO, full time members, number of which are unspecified. It will include up to two part time members from leading Universities and research organisations and four Union ministers as ex-officio members. The governing council will comprise of all Chief Ministers and Governors. Also, regional councils will be formed to address specific issues and contingencies impacting more than one state or a region. To bring in the relevance of subject matter expertise, experts, specialists and practitioners with relevant domain knowledge will be included as special invites.

As per the recent announcement, Arvind Panagariya, a free-market economist who teaches at Columbia University in the US, was appointed the first Vice Chairman of the NITI Aayog, along with six members and three special invitees. Economist Bibek Debroy and former DRDO chief V K Saraswat were appointed as full-time members; whereas Union Ministers Rajnath Singh, Arun Jaitley, Suresh Prabhu and Radha Mohan Singh were appointed as Ex-Officio members. The Special Invitees will be Nitin Gadkari, Smriti Zubin Irani and Thawar Chand Gehlot, as per the announcement.

M Govind Rao, Member of the 14th Finance Commission, writes in detail on the structure of the NITI Aayog in his article 'Role and Functions of NITI Aayog', published in the Economic and Political Weekly (EPW). The article states that the National Institution for Transforming India (NITI) will act more like a think tank or forum, in contrast with the Commission which imposed five-year-plans and allocated resources to hit set economic targets.

He stated that in order to enable NITI Aayog to play a constructive role in fostering cooperation, it is necessary to place the interstate council, properly empowered under Article 263 of the constitution. Emphasising this further, he added, "This institution should be the nodal agency for negotiation, discussion, bargaining and resolution of all major issues. It should have the required expertise on inter-governmental relations, fiscal federalism and constitutional law."

As stated by Rao, the cabinet resolution lists four major ?

- a. Fostering cooperative federalism by providing structured support to states on a continuous basis.
- b. Formulation of a strategic vision and long term policies and programme framework both for the macro economy and for different sectors.
- c. Acting as a knowledge and innovation hub and providing research inputs by undertaking and accessing globally available research.
- d. Providing a platform for interdepartmental coordination.

From the above explanations, one can safely say that the NITI Aayog intends to emerge as a "think-tank" that will provide governments at the central and state levels with relevant strategic and technical advice. Moreover, it will enable better Inter-Ministry coordination and Centre-State coordination, thus relaxing the overdue implementation of government policies. In other words, as Govind Rao states, "It will help evolve a shared vision of national development priorities, and foster cooperative federalism, recognizing that strong states make a strong society that may be at risk of not benefitting adequately from economic progress."

The NITI Aayog will monitor and evaluate the implementation of programmes, and focus on technology upgradation and capacity building. It will create a knowledge, innovation and entrepreneurial support system through a collaborative community of national and international experts, practitioners and partners. It will offer a platform for resolution of inter-sectorial and inter-departmental issues in order to accelerate the implementation of the development

### **NITI Aayog as Innovation and Knowledge Hub**

Defining the role of NITI Aayog, M Govind Rao added that it is also assigned to carry out strategic planning at both macro and sectorial levels. Emphasising on the rise of standard of living of the people of India, it further stated, "The strategy and policies required to improve the standard of living of the projected population and improve human development to empower the people and engage them in the economic activities in a productive manner over a long term time horizon. Providing satisfactory levels of social and physical infrastructure for meeting the growing needs of the economy, with the roles of public and private sector clearly defined. Among other functions, the institution should also provide a platform for experience sharing among the states."

Taking it one step ahead from just being the planning body, the NITI Aayog is being portrayed as the innovation and knowledge hub at this initial stage. As Govind Rao gives a clear view of the same, this newly-conceived body will be "a think-tank organisation with the goal of achieving strategic vision and policies and programmes, initiation, monitoring and upgradation of such programmes through rigorous, accurate and

timely measures.” Contemplating the need for resources in the future, the NITI Aayog has included capacity building also on the radar. It will work like a strong data bank consolidating data and information on economic, demographic, geographic and social variables relevant for research and policy. Supporting this view, the Cabinet resolution states that urbanisation has to be viewed as an opportunity to use modern technology to create a wholesome and secure habitat while reaping the economic benefits that it offers.

### **Criticism for NITI Aayog**

Although the NITI Aayog makes an impact at its initial planning stage, there are views that contemplate its failure, along with logical explanations. Dr.Syeda Hameed, social activist, who was the member of Planning Commission from 2004-2014, wrote a column titled ‘Why Nehru’s Planning Commission didn’t fail India—but Modi’s Niti Aayog might’, on the online news commentary website Quartz. Terming the decision of the newly-formed BJP government to scrap the Planning Commission as ‘a bit too harsh and hasty’, Dr.Hameed explained in this column why the Planning Commission mattered.

Dr.Hameed writes, “Planning was brought out of the cloister of Yojana Bhawan into the public domain. I have been an eyewitness to how the commission tried to hold central ministries accountable for delivering on the plan promises. Half-yearly reviews and quarterly reviews were called for to determine what distance had been covered towards the defined goalposts. According to Dr.Hameed, two significant changes were made in the last decade: First, taking the people on board from the very inception of planning; and second, loosening the

rigidity of centrally-sponsored schemes (CSS) to accommodate different aspirations. The reason for the above changes was “because very early we were told by our chairperson, the Prime Minister, that one size does not fit all.” So, in the purview of the Planning Commission, policies had to be tailored to address the fact that given India’s diversity and geography, different states would be at different stages of development. As stated in the column, at annual plan discussions, states were urged to indicate what changes to CSS would address their special needs. Despite all these changes and achievements, the new government of India announced the end of Planning Commission on August 15, 2014, barely three months after it took office.

As Dr. Hameed rightly points, the only apprehension is the “impossibility of such a large, unwieldy and excessively preoccupied body being tasked with planning for the country.” But to think objectively, it is some of the most basic doubts that the makers of NITI Aayog have failed to resolve. Questions such as, “How many meetings of this body will be held in the year? How many chief ministers, given their excessive workload, will attend to their duties as planners? Will the decisions then be thrown back to the lap of officials who are known for status quo ante, business as usual? And most importantly, it will be the third year of the 12th Plan. Will NITI Aayog take stock of its progress—or, will the task be relegated to officials who may present report after report and basically report nothing?” All this needs to be clarified by the members of the ambitious replacement of the Planning Commission.

The NITI Aayog seems inclusive when it comes to the representation of federal states in the decision making process



and enabling planning at the village level. The promise of research and development initiatives in every sphere of our community is a laudable step and must happen.

One thing that is bound to be unchanged is the mechanism and manpower running the system. But, be it the Planning Commission or the newly formed NITI Aayog, change can be delivered and foster real change in return only if the personnel attached with it at all the levels of organization work diligently. As and when the progress in the functioning of NITI Aayog takes place, we shall be clearer in its intent.

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