Rethinking central planning

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Rethinking Central Planning:
A Federal Critique of the Planning Commission

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Introduction

The 2014 BJP election manifesto envisaged the abolition of the Planning Commission. As a non-statutory body its abolition and replacement were feasible objectives. Indeed, shortly after it assumed power as a majority government, the BJP followed through on its election promise.

The factors that led to the ‘demise’ of the Planning Commission (hereafter PC) are manifold. From the economics side, the main criticism concerned the inability of the Commission to adopt properly to the transformation of the Indian economy from a planned state-led economy to a more liberalized economy since the 1990s and the resulting rise in private sector investment. Other criticisms related to the process of planning itself. One procedural bone of contention concerned the need for planning in fixed five year cycles though with Plan periods which did not coincide with legislative five year cycles at the center. Another process-related critique related to the distinction between so-called ‘Plan’ and ‘Non-Plan’ expenditures within central and state budgets, and within those an additional subdivision between ‘revenue’ and ‘capital’ expenditure. This helped to undermine the cohesiveness of Planning. A further criticism concerned the staffing of the PC: it was perceived as having too many generalists rather than sector specialists. IAS (Indian Administrative Services) and IES (Indian Economic Services) officials were not properly equipped to provide the kind of interdisciplinary but sector-specific knowledge that is required to design successful programs in infrastructure and social development.

Although each of the above criticisms undermined the legitimacy of the PC, the focus of this article lies with another critique, namely the assertion that the PC was perceived as a de facto arm of the central government, which through grant-making and central and state planning added to the centralization of Indian federalism. Hence, this article seeks to provide a critical analysis of the achievements and shortcomings of the PC from the perspective of center-state relations in India. To do so, we have engaged with the main secondary literature on the PC, analyzed the most relevant policy documents emanating from the Indian government or think thanks and conducted elite interviews with (former) members of the PC,

1 BJP Manifesto, Lok Sabha Elections 2014, “Ek Bharat Shreshtha Bharat – Sabka Saath, Sabka Vikas” (“One India – Excellent India - Development with All, Development for All.” Accessible via http://www.bjp.org
2 Red Fort India address to the Nation by PM Modi, 15 August 2014
3 Rahul Mukherji, Political Economy of Reforms in India (Delhi: Oxford University Press 2014).
4 Interview with Indira Rajaraman, former member of the XIII Finance Commission, Delhi, 9 March 2015.
(former) members of the Finance Commission, current employees of the NITI Aayog and a secretary in the Ministry of Finance. These interviews took place in February-March 2015 and February 2016 (with a single follow up interview in December 2016).

We argue that the PC, through its role in the allocation of discretionary grants to the states and its capacity in co-shaping and monitoring a wide array of Centrally Sponsored Schemes not only added to the interdependence of Indian federalism, but also to its centralization. This is so because the states were insufficiently involved in decision-making in these areas, i.e. the states did not acquire more shared rule to offset the increasing intrusion of the center in (the funding of) their competencies. Furthermore, the PC also appeared to erode some of the activities of the Finance Commission, a statutory body which has allocated pooled tax revenues to the (center and the) states in a less discretionary and more formulaic manner.

To make the above argument in full, this article is structured in the following way. In the first section, we situate the PC within the broader framework of Indian federalism. Subsequently we demonstrate how the PC has contributed to eroding the self-rule of the states and at times seemed to undermine the working of the Finance Commission. Next, we analyze the limited extent to which the states were involved in uploading their preferences through shared rule mechanisms within the PC. In the final section, we make a preliminary assessment of how the replacement of the PC with the NITI Aayog (National Institute for Transforming India) may affect center-state relations in India. We should emphasize this article does not seek to provide a full-fledged comparison of the PC with the NITI in this regard. After all, the current government still adheres to the current planning cycle (2012-17) and the NITI has not been in operation for long enough to provide a comprehensive comparison with its predecessor.

**Situating the Planning Commission in Indian Federalism**

In a recent paper on federalism, Bolleyer and Thorlakson situate and compare a range of federal countries based on two criteria: centralization vs. decentralization and autonomy vs. interdependence.

For them, decentralization implies the ‘removal of core [fiscal, juridictional or administrative] resources from the center to lower levels of a multi-tiered system’ (the opposite holds for centralization). The decentralization/centralization distinction implies a clear trade-off across levels (what the state level loses, the central level gains and vice versa). The same does not necessarily hold for the interdependence-autonomy distinction: what the state level loses in terms of autonomy does not necessarily produce full-scale central or federal control. In reality autonomy losses could strengthen the interdependence between levels and increase the input of the states in the governance of the center.

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6 Nicole Bolleyer and Lori Thorlakson, “Beyond Decentralization”, p. 568.
For instance, when powers of the German Länder shifted to the center in the German federation during the 1960s and 70s by expanding the concurrent list (at the expense of exclusive legislative powers of the Länder), the Länder increased their influence in central decision-making in return by increasing the list of federal legislative powers requiring the consent of the German Bundesrat; the federal second chamber in which members of the Land or state executives are directly represented. Bolleyer and Thorlakson identify two key sources of interdependence: concurrent jurisdiction or legislative powers in the same policy field (shared competencies) and a functional distribution of powers in which one level of government legislates in a particular field but the other is charged with its implementation (administrative federalism).

Based on their distinction, India is a relatively centralized federation (at least compared with Canada, Switzerland and the US which are often portrayed as highly decentralized). The number of union and concurrent powers under the Seventh Schedule of the constitution outweights the number of exclusive powers in the state list; the residual power resides with the center, and the center can legislate in the exclusive state list; for instance, when disbursing conditional grants to the states in areas of exclusive state legislative competence. Emergency powers such as ‘President’s Rule’ add to this centralized impression. Indian fiscal federalism is also relatively centralized (see also contribution by Indira Rajaraman to this special issue): the center controls the base and rate as well as collects personal income tax, corporate income tax, union excise duties, customs and taxes on services, but shares the proceeds with the states. Of the state taxes only the sales tax is an important source of state revenue. In 2007, central taxes made up 59% of all tax revenue compared with 41 percent for state taxes. The fiscally dominant position of the center has led to considerable vertical fiscal imbalances, increasing the dependence of the states on central funding.

Yet, at the same time, the constitutional design of Indian federalism is also relatively interdependent. The constitution not only contains a long list of concurrent competencies (in which the center and the states can each operate, including education and health), but it also makes the center largely dependent on the states (and increasingly urban and rural local governments) for the implementation of its competencies. As Table 1 illustrates, except for defense, housing, industry, minerals, transport and communications the states outspend the center; on numerous occasions by a ratio of 4 or 3 to 1.

Table 1 about here

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8 Nicole Bolleyer and Lori Thorlakson, “Beyond Decentralization”, p. 571.
The presence of large scale central-state interdependence necessitates adequate *shared rule* or intergovernmental mechanisms by which state entities (in the main state governments) can articulate their preferences in relation to the center. Yet, shared rule mechanisms in India are only weakly institutionalized. The Rajya Sabha (second chamber) is not an effective second chamber representing state interests: states are represented in proportion to their population and the members of the Rajya Sabha need not reside in the state which they represent. Most importantly, for most polity-wide parties nomination to the Rajya Sabha depends on *central* party support instead of *cross-partisan regional* support in the state assemblies which formally elect the members of the second chamber. Consequently, the Rajya Sabha is more beholden to party political than to territorial interests. Although inter-ministerial conferences have developed in various policy-areas of shared central-state interest\(^{11}\), the Inter-State Council did not develop into the intended apex body of center-state collaboration.\(^{12}\) State parties wielded influence during the period of coalition and/or minority government in India between 1989 and 2014, but they did not always propagate a more ‘federal’ India, and in any case, they were not representative of the Indian states as a whole. Indeed, unlike in Switzerland or Belgium there is no formal requirement that ministers in the central cabinet originate from the various regions, let alone the states and territories of India.\(^{13}\)

Next, to the Rajya Sabha and the Inter-State Council - institutions which were *constitutionally intended* to play a role in oiling the fabric of center-state relations in India -, the Indian government set up a PC. Between its creation by cabinet resolution of 15th March 1950 and its demise and replacement with the NITI Aayog in January 2015, the PC functioned as a para-constitutional authority with a capacity to steer large sections of the Indian economy. Indeed, the PC was tasked with “comprehensive planning ‘for the state as a whole, based on a careful appraisal of resources and on an objective analysis of all the relevant economic factors,’ ... ‘which could be achieved most successfully’ through an organization free from the burden of day-to-day administration, but in constant touch with the Government at the highest policy level.’” \(^{14}\)

The activities of the PC impinging on the fabric of Indian federalism in two important ways, each of which will be looked upon in turn.\(^{15}\) Firstly, the PC advised the Indian central government on the disbursement of so called ‘plan-grants’ — or non-statutory grants to the states and approved separate state plans, including plans for state borrowing. In the disbursement of grants to the states, the PC operated alongside the Finance Commission which controls the flow of statutory or non-discretionary grants from the center to the states.

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14 Cabinet Resolution, 15/3/1950: p. 1

As we will demonstrate, a lack of coordination between both commissions generated some inefficiencies in the process of grant allocation and somewhat undermined the autonomy of the Finance Commission.

Secondly, the PC played a key role in designing (in conjunction with individual ministries) and overseeing a vast set of Centrally Sponsored Schemes (CSS) which earmarked certain programs for national development under the form of central and largely conditional, matching grants. Frequently these CSSs touched upon competencies in which the states have shared or sometimes even held prime legislative responsibility (for instance, education, health, road connectivity). By bringing the central government into some of the policy spheres of the states, the PC increased the interdependent nature of Indian federalism. The extent to which this also produced centralization depended on the capacity of the states to influence the activities of the PC; in other words, were the states sufficiently compensated for these autonomy losses by increasing their ‘shared rule’ at the center? It is to these questions to which this article turns next.

The PC and State Autonomy

PC and the erosion of state autonomy

The PC has been criticized for eroding the autonomy of the states and union territories by reducing their share in the overall Plan-outlay over time and by making a larger part of that share conditional in nature. Indeed, the share of state and union territory outlays in the overall Plan-outlay gradually decreased over time from more than 63.5% in the First Plan Period (1951-56) to just about 41% in the Tenth Plan period\(^\text{16}\) (1997-2002). Furthermore, the bulk of Central Plan funds passed on to the states (as Central Assistance to the States) took the form of conditional grants (Centrally Sponsored Schemes or Additional Central Schemes).

For instance, in the 2014-15 Union budget, Rs 5.75 trillion, or 26% of all budgetary resources of the union government were set aside as ‘Plan funds’. About 41% of the Plan funds (Rs 2.37 trillion) remained with the center, but the remaining 59% provided ‘Central Assistance to the States’ (CAS). In 2014-15, the clear majority of this CAS flew to ‘Centrally Sponsored Schemes’ (about Rs 2.53 trillion, or approximately 75% of Central Assistance to the States’). The remaining 25 percent, or just Rs 0.85 trillion provided Plan assistance to the states based on a pre-set formula (“the Gadgil-Mukherjee formula”) or was allocated as Special Central/Plan Assistance for the Special Category States (8 North Eastern States + Himachal Pradesh, Jammu & Kashmir and Uttarakhand).\(^\text{17}\) These developments gave rise to at least three concerns:

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\(^{17}\) Planning Commission of India, *Background Note on New Institution* (Delhi: Planning Commission: internal document, November 2014)
First, it made little sense to have the PC approve the annual plans of the states, when state discretion was limited to additional central assistance (ACA) for addressing specific problems of particular states. ACA made up a very small part of the proposed state plans and benefited up to eighteen states in 2013-14.18

Second, prior to the Fourth Plan (1969-74), all Plan assistance to the states was discretionary. The loss of power of Congress in eight state assemblies in the 1967 assembly elections pushed non-Congress-ruled states into demanding a less discretionary and more formulaic approach instead. In 1968, the National Development Council, a forum in which the Prime Minister, members of the PC, Chief Ministers and Lieutenant-Governors of the union territories met (see further), adopted a resolution in which the share of conditional grants was not to exceed more than one sixth of all grants. As a result, Normal Central Assistance to the states came to follow the unconditional and predictable Gadgil-Mukherjee formula. However, in response, Indira Gandhi, Prime Minister at the time endorsed several non-formulaic, discretionary transfers and used them as a form of economic patronage.19 This set the stage for a gradual proliferation of so-called Centrally Sponsored Schemes and Additional Central Assistance, so that at the time of the 2014-15 budget, the share of federal non-statutory grants which followed the Gadgil-Mukherjee formula had dropped to below 25 percent.

The relative rise in the disbursement of discretionary plan grants and the sharp drop in Normal Central Plan Assistance to the states based on the Gadgil-Mukherjee formula also reflected disagreements among the states on the most effective way for addressing interstate inequalities. These disagreements were successfully exploited by the center to increase its grip on the states. Despite various modifications since it was first introduced in 1967, the Gadgil-Mukherjee formula faced criticism from richer states because performance-based criteria drove only 7.5 percent of the outcome. Conversely, given that population figures in the formula (which accounted for 60 percent) used 1970 census data (to reward states which have pursued more effective birth-control policies), the poor but in demographic terms fastest growing states of North India (Uttar Pradesh, Bihar, Rajasthan, Odisha) reaped only small benefits from its application.20 This explains why Bihar made a forceful case to receive

18 Amresh Bagchi, “Role of the Planning Commission in the New Indian Economy: case for a Review”, Economic and Political Weekly Vol. 42, No 44, (2007), pp. 92-100. Formula driven (Gadgil-Mukherjee) and CSS fall outside the purview of these discussions, as is on-lending by the centre which was discontinued following the recommendations of the XII Finance Commission. Borrowing by the states is overseen by the Reserve Bank of India and the Ministry of Finance. Bagchi concludes therefore that “the entire exercise involving visits by CMs with a large entourage of officials has become a wasteful ritual” (Bagchi, “Role of the Planning Commission”, p. 98).

19 B.P.R. Vithal and M.L. Sastry, Fiscal Federalism in India (Delhi: Oxford University Press, 2001). We are also grateful to Chanchal Kumar Sharma for raising this point with us.

20 This prompted a revision of the formula on the eve of the Sixth Plan (1980-85). For instance, in the Fourth Plan Period (1968-1972), the high income state of Haryana received per capita plan assistance under the then formula well above the average (Rs 101), higher than three of the more backward ‘BIMARU’ states which received per capita outlays of respectively 84 (Bihar), 80 (Madhya Pradesh) and 90 rupees (Uttar Pradesh), leaving only
recognition as a ‘special category state’ so that it could access Special Central and Special Plan Assistance grants earmarked for the North Eastern states and Jammu & Kashmir.

The stand-off between resource-rich and resource-poor states (which cut across parties) contributed to the decreasing significance of Gadgil-Mukherjee formula driven grants and explained the difficulties in changing the formula. Reflecting concerns with the status quo, the Government of India agreed in May 2013 to set up a ‘Committee for Evolving a Composite Development Index of States’ under the presidency of Raghuram G Rajan. The Committee recommended the allocation of central government funds to the states on the basis of a composite ‘state development index’ built around ten indicators (the absence of Gross per capita State Product in lieu of a monthly per capita consumption index drew specific attention in this regard) with a further fifth of all funds to be disbursed on the basis of performance. The report was not without controversy Tamil Nadu Chief Minister, Jayalalithaa condemned the report as a ‘an attempt to undermine the work of the XIVth Finance Commission’ and a ‘thinly disguised attempt to provide an intellectual justification to deliver resources to a potential political ally’ (more in particular Nitish Kumar, Chief Minister of Bihar, representing the JD (U) who broke ranks with the BJP in the build-up to the 2014 Lok Sabha elections, and repeatedly made the case for Bihar’s inclusion in the group of special category states).

A third autonomy concern of the states related to the increase in Centrally Sponsored Schemes (CSS). As indicated above, said schemes proliferated after the introduction of formulaic Plan grants in 1968. The PC played an important role in co-designing such schemes

Rajasthan with a higher than average per capita outlay (Rs. 113). This was due to some components of the formula; for instance, the remuneration of tax effort on the basis of states’ tax income ratios without taking inter-state differences in population into account (see R. Ramalingom, R. and K.N. Kurup, “Plan Transfers to States. Revised Gadgil Formula: an analysis,” Economic and Political Weekly, Vol. 26, No 9-10, (1991), 502). Subsequent iterations of the formula have progressively increased the relative weightage of per capita income, thereby generating a more redistributive effect and increased the share earmarked for addressing ‘special problems’ (usually tackling issues such as the development of coastal areas, special environmental issues, flood and drought prone areas, population density, slums in urban areas, amongst others).

Government of India (GoI)— Report of the Committee for Evolving a Composite Index of States (CfECIS), (New Delhi: Ministry of Finance, September 2013).

One of its members submitted a nine-page dissenting note, especially questioning the rationale for using a per capita state consumption index instead of the more conventional per capita GDP and the inclusion of one ‘input’ indicator (the share of Scheduled Tribes or Castes in the calculations) in the composite index when the remaining 9 indicators measured ‘outcomes’ (GoI, CfECIS: pp. 40-49). There was more widespread dissent, especially among those states that potentially stood out to lose should the report be applied to the distribution of central grant schemes.

Tamil Nadu was the third most developed state according to this index and would lose out if this formula were applied to its Finance and PC transfers. In her letter to the Ministry of Finance, Chief Minister Jayalalithaa condemned the report for ‘using mathematical jugglery to disproportionately increase resource allocation to a selected group of States [as] individuous and an attempt to rob Peter to pay Paul’ See: ‘Jayalalithaa slams Raghuram Rajan Committee Report, The Hindu, 3 October 2013, Accessible via www.lexis-nexis.com.
and in their monitoring. CSS can cover anything from primary education expansion programs, child nutrition, urban renewal, rural employment, infrastructure needs and poverty alleviation more generally. They frequently touch upon shared and even exclusive state competencies. Ideologically such schemes are interesting for the center in that it can strategically deploy resources across the country with a view to realize national welfare objectives. Politically these schemes also tie voters to the part(ies) in command of the central polity, given that all polity-wide parties (and their regional allies) amass a good deal of support among some groups in need of protection such as the Other Backward Castes, Scheduled Tribes, Scheduled Castes or religious minorities. The disbursement of these discretionary programs also enables the party in central government to support those states in which it has a stronghold or cooperates with a regional ally (as evidenced by Chanchal Kumar Sharma in his contribution to this special issue). However, as CSS funding is discretionary, not all states have been equally happy with these programs. In fact, state criticisms revolve around the following three issues.

First, ideological preferences or material needs explain why many states have been accepting of such central schemes notwithstanding the infringement on state rights which they can bring to bear. Particularly low income states often welcomed CSS as means to develop in critical areas. In contrast, affluent states or states controlled by parties in central opposition were more hostile and instrumental in triggering a periodic review of CSS with a view to reduce their number and significance. For instance, the Chaturvedi (2011) and


25 For instance, in 1966 a sub-committee of the National Development Council (NDC) recommended the retention of only 52 of then 92 such schemes and proposed a cap on the value of CSS of no more than one sixth of Central Plan Assistance to the states; a request that was echoed by an NDC meeting in 1979, by which time the number of CSS had risen to 190. In 1984, another expert committee established under the aegis of the NDC recommended a reduction in the number of CSS, while endorsing a rise in the limit of assistance to CSS from 1/6 to 1/3 of total plan assistance (GoI, Punchhi Commission on Centre-State Relations, Supplementary Volume III Research Studies, Delhi, 2010, p. 10). Eventually the Narasimha Rao Committee proposed to transfer 113 CSS to the states, keeping the role of the center confined to the larger schemes for which the inter-state character stands beyond doubt or which could serve as pilot-schemes for regional development across the states later. Yet, this did not stop the number of schemes to rise to a record high of 360 by the late 1990s, which eventually led to the appointment of yet another NDC sub-committee (chaired by Varma). The radical reduction in CSS to just a few flagship schemes which the latter proposed was not entirely endorsed by the PC because many of these CSS seek to serve national development objectives. See Gol, “Report of the Committee on the Restructuring of Centrally Sponsored Schemes”, (New Delhi: September 2011) pp. 16-18. However, the Committee did help to bring the number of CSS down from 204 in 2005-6 to about 99 in 2007-8; only to see them rise again to 147 by 2012. Furthermore, while the number of such schemes has remained well below its historic peak of + 300; their share in the total Gross Budgetary Support (central plan funding) substantially increased from 31.3 percent in the Ninth Plan (1997-2002) to 42% in the Eleventh Plan (2007-12); reflecting a steep increase in funding for large UPA welfare ‘flagship programs’ in education (Sarva Siksha Abhiyan), health (National Rural Health Mission), MGNREGA (rural employment) and infrastructure (for instance Pradhan Mantri Gram Sadak Yojana for the construction of rural roads – a more comprehensive list is provided in Gol, “Committee on Restructuring CSS”, pp. 19-20 and Annex.

26 Gol “Committee on Restructuring RSS".
Rangarajan reports (2011) proposed to contain CSS to just 17 Flagship Schemes from a high of 144 in 2011. Yet, the disagreement among states themselves on the utility of these schemes prevented a more comprehensive reform and consolidation.

Second, a range of states lamented CSS for several reasons for which at least the center is held partially responsible. Firstly, due to central regulation CSS lacked flexibility. Their universal character was meant to minimize inter-state discrimination but also prevented states from trading-off CSS in areas where they saw no need for support in areas where that need was more apparent (for instance, Chaudhuri refers to Tamil Nadu’s ‘obligation’ to implement a rural road infrastructure program even though its rural villages were already well connected); Second, the design of CSS by central ministries and the PC, sometimes with the input of activists or advisory groups (such as the National Advisory Council under UPA I) failed to take state specific circumstances into account. For instance, the cost of infrastructure is not the same in Kerala than in the more sparsely and mountainous states of the North East. Third, without proper coordination CSS led to unnecessary duplication or inefficiencies where they coincided with state specific welfare schemes in the same policy field. Fourth, CSS could boil down to ‘unfunded mandates’ which shifted an ever-larger cost of their implementation to the states (for instance by reducing the matching contribution of the center). States also took responsibility for the assets (revenue expenditure) of these funds and had to support local governments with a limited resource base on their own and therefore relied on the state to cover ongoing (staff) costs even after such schemes were terminated. Fifth, until 2013-14, more than a third of the resources set aside for central and Centrally Sponsored Schemes (Rs 1.4 trillion out of a total Rs. 4.2 trillion in the 2013-14 budget) were implemented by central agencies at the sub-state level (these could be Panchayats, urban bodies, autonomous agencies at the state level, central autonomous bodies, NGOs) over which the states had no control. These so-called ‘direct transfers under the society mode’ not only sidelined state budgets and administrations, but funds disbursed accordingly were also much harder to account for as there was no adequate monitoring system to ensure that the money was spent at all. Finally, the design of these schemes led to significant spillage or inefficiencies: central ministries nominally in charge of these programs were often more concerned with the effective release of funds at the ‘appropriate time’ (sometimes in the last month of the financial year when state governments could not

28 Chaudhuri, “Reforming CSS”
29 Gol, “Restructuring CSS,” p. 26
realistically be expected to spend it all), instead of monitoring their use through effective internal and external audit procedures.\(^{33}\)

A third major criticism of CSS concerned their partially regressive outcomes. The average per capita central releases to the states in CSS is not necessarily higher for the lesser developed states. For instance, in their (controversial) conceptualization of the ‘Underdevelopment’ Index, the members of the CFECIS\(^{34}\) report identified Odisha, Bihar and Madhya Pradesh as the least developed of the Indian states and Kerala, Tamil Nadu and Maharashtra as the most developed. Table 2 illustrates the spurious relationship between the level of development of these states and the average per capita central releases which they receive from CSS, especially for rural schemes.

**Table 2 About Here**

Although the least developed states should not always obtain the largest per capita central releases for each scheme – this may vary depending on their topographic or demographic characteristics - one would expect the per capita outlays for CSS to be substantially higher in Odisha, Bihar and MP than for Kerala, Tamil Nadu and Maharashtra. Yet, as Table 2 demonstrates, based on figures between 2007 and 2013, Bihar received much lower than anticipated per capita outlays on each of the three rural central schemes even though it is the most ‘rural’ of the Indian states (according to the 2011 census data 92.3 of its 104 million inhabitants qualify as rural).\(^{35}\) Each of the lesser developed states received below per capita central support for the rural drinking water scheme and Odisha too received less per capita MGNREGA support than could be expected. With much below average revenue extractive and infrastructural capacity Bihar and Odisha simply did not have the necessary funds or administrative capacity to match the center’s grant offer, whereas Tamil Nadu and Kerala were in a stronger position to do so. The matching component, where it is taken from ‘the additional central assistance to the States and Union Territories’ also frequently ate into the resources which states otherwise could have invested into funding their State Plan Schemes.\(^{36}\)

*Planning Commission, Finance Commission and the flow of central grants: coordination issues and state autonomy*

Although the PC played an important role in intergovernmental finance, it operated alongside another body, the Finance Commission. The latter is a statutory (constitutional) body which recommends the inter-state and center-state allocation of shared tax revenues under the form of non-discretionary (non-Plan) or largely unconditional grants. The share of such statutory flows (disbursed by the Finance Commission) in the total share of transfers from the center to the states has increased from about 60 percent between 1985-90 to closer

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\(^{33}\) The Rangaranjan report noted inaccuracies which affected all delivery levels and cited a damning figure by the PC, estimating that the Government of India spends Rs. 3.65 to transfer Rs. 1 worth of food, hinting at a spillage of funds of more than 70 percent Gol, “Efficient Management of Public Expenditure,” 27

\(^{34}\) Gol, “CFECIs,” p. 17.

\(^{35}\) Accessible via [http://censusindia.gov.in](http://censusindia.gov.in)

\(^{36}\) Subrat Das and Sona Mitra, “Restructuring Centrally Sponsored Schemes. A brief note on the recent Policy Measures,” (New Delhi: Centre for Budget and Governance Accountability, 2013)
to 70 percent in the period between 2010-15 (see contribution by Indira Rajaraman to this volume). Given that Finance Commission grants are formulaic and are overseen by several experts who are appointed for a fixed and non-renewable term, the scope for political influence in determining the volume and distribution key of tax revenue that is allocated to the states in this way is limited. By convention, central governments have implemented the bulk of the recommendations of the Finance Commission.

However, sometimes the work of the Finance and PCs were not well-aligned. Occasionally, the PC appeared to undermine the autonomy of the Finance Commission, for instance, by seeking to delimit the authority of the latter to make specific purpose grants beyond the allocation of state block grants. Over time, such Finance Commission grants became more limited in size and primarily sought to fill up deficits in the non-plan revenue of states or targeted specific issues (for instance in disaster management and the financing of local bodies). Since the Third Finance Commission (1962-1966), the secretary of the PC also served as member-secretary of the Finance Commission. Although this ‘dual membership’ could have been used to enhance the efficiency of both commissions, in practice, the secretary of the PC used his/her position more often to safeguard the autonomy of the PC vis-à-vis the Finance Commission when determining the financial needs arising out of the five-year Plan. The distinction between Plan and Non-Plan revenue and expenditures finds its genesis here. Where sector-specific Finance Commission grants overlapped with Plan grants, the PC contested the Finance Commission grants in their stated objective and issued concurrent non-plan revenue grants of its own. For instance, Chaturvedi, who was a member of the Planning and XIIIth Finance Commissions (2010-2015) signed of the latter’s report yet subsequently ensured that the PC increased its special plan assistance to the North-Eastern states to support their non-plan revenue.

The parallel presence of a Finance and PC has also been criticized for producing inefficiencies. Inefficiencies arose because from the viewpoint of the states, it was in their best interest to underreport their resource strength in bilateral meetings with the Finance Commission to maximize their eligibility for funding through the inter-se state allocation formula and non-plan revenue deficit filling grants. Conversely, states often over-reported their resource strength in submissions to the PC to secure as many benefits as possible from matching PC grants. This state ‘gaming’ behavior was also encouraged by submitting state and central budgetary plans that distinguished between plan and non-plan revenue and plan and non-plan expenditure. The PC was only advised to comment on budgetary outlays for Plan expenditure, whereas the Finance Committee only considered the non-plan revenue component. The distinction between both prevented a holistic view on the resource and

38 Even though this created problems of its own; especially since the maintenance of capital assets after the completion of a Plan counts as ‘non-Plan’.
40 Bagchi, “Role of Planning and the Planning Commission,” pp. 92-100.
expenditure streams within the public sector. In 2011 the Rangarajan report\textsuperscript{41} recommended erasing the distinction between Planning and non-Planning revenues and expenditures and the Terms of Reference of the XIVth Finance Committee (2015-2020) reflected this change; possibly because three of its members had been members of the Rangarajan Committee.\textsuperscript{42}

**The Planning Commission and Shared Rule**

The erosion of state autonomy linked to central planning would not necessarily translate into clear-cut centralization if the states were compensated by gaining a more important say in the decision-making process of the PC and central government in general. Such state input would range from state involvement in making and implementing the five year plan and annual state plan, co-determining the flow of Plan grants to the states, and co-shaping and monitoring Centrally Sponsored Schemes. However, the membership of the PC did not incorporate a systematic representation from State Planning bodies or State ministries. Politically, the PC was subsumed under the authority of the union Prime Minister and its Deputy Chairman had full cabinet rank, underlining its political importance. The Union Finance and Planning Minister, and a range of union ministers plus additional members who were invited to join the PC based on their expertise, priorities and background of the Plan, completed its membership (usually academics or NGO activists amongst others, but no actors who could be linked with the states as such). All these 6 to 12 additional members of the PC (total membership varied across time) received the rank of Minister of State.

Internally, the divisions of the PC were linked up with central ministries, adding to its perception as an arm of the central government. In theory, the strongest link with the states was provided by the presence of IAS (Indian Administrative Services) and IPS (Indian Police Services) officers who served in the PC on deputation from the state cadre. Although these officers are part of the ‘All India Services’; the union government only controls their salary; but the state government to whom they are ‘encadred’ can recall and transfer these officers whenever they are deemed to work against its preferences. The opposite is also true: the central government can transfer these civil servants quite easily back to their state when they are felt to act against their interests.\textsuperscript{43} The Indian Economic Services (who provided the backbone of the PCs’ economic expertise) is not a part of the IAS, but a central civil service.\textsuperscript{44}

The absence of state bureaucrats in the inner working of the PC does not mean that their viewpoints were not given any hearing but there was no obligation to take them into


\textsuperscript{42} Interview with M Govinda Roa, member of the Fourteenth Finance Committee, Delhi, 11 March 2015

\textsuperscript{43} Interview with a former senior PC official, Delhi; 4 March 2015

\textsuperscript{44} In view of their higher living conditions, linguistic distinctiveness and sometimes also strong sense of regional identity, IAS officers from the more affluent states, such as Tamil Nadu are less likely to seek a transfer to Delhi than their colleagues from the relatively poor and geographically proximate ‘BIMARU’ states (Interview with senior NITI official, Delhi, 4 March 2015). This feature applies to IAS postings at the center across the board (interview with senior civil servant, Delhi, 16 March 2015) because state cadres at the center are not adequately filled up.
consideration. In the build-up to the annual state plan, the PC (often through the PC official in charge of a particular state) engaged with the Chief Minister and sectoral ministries of the states and their secretaries. “The PC would be informed of the broad direction of the state plans and the PC would report back to the states if they are correct.” Although informal discussions with the states may have taken place at an earlier stage, the states were usually only informed of the state plan outlay a month before their draft state plan was due for submission to the PC, leaving little time for intergovernmental coordination.

The involvement of the state governments in the making of the five year plan was equally limited. For instance, based on his own involvement in devising the 50-page urban planning section in the Thirteenth Plan (2012-2017), a senior PC advisor described how the PC established seven thematic working groups on urban governance (covering areas such as urban planning, transport, environment and capacity building –among others). Working group leaders could include representatives from state or urban governments in their deliberations. However, during this wide consultation process, the states only became consultative actors, alongside the World Bank, 70 to 80 NGO representatives and consultancy firm McKinsey which helped in putting together the steering committee report. This report was subsequently passed on to the Internal PC working group, which in the final stages of the drafting process of the Plan met fortnightly, liaised with the relevant senior secretaries across the various ministries, reported back to the PC and after final amendments submitted the Plan to the union cabinet.

This limited state involvement was also expressed at the apex level. Here, the National Development Council (NDC), established per cabinet resolution in December 1952, was the only forum in which the state governments could express their opinion on the overall Plan and its sectorial divisions. The NDC comprised the Prime Minister, Union Ministers, state Chief Ministers and representatives of the state territories and all members of the PC not already subsumed under the previous categories. During the Nehru era (1952-64), the union cabinet accepted the resolutions of the NDC since most state Chief Ministers belonged to the Congress Party and the Prime Minister had developed a cordial relationship with the Chief Ministers of his party. The centralizing impulses of Indira Gandhi and the rise of non-Congress Chief Ministers, especially after the 1967 state assembly elections severely weakened intra and inter-party channels of vertical coordination. Non-Congress Chief Ministers bargained to

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45 Interview with a former senior PC official, 16 and 30 March, 2015;
46 Interview with a former senior PC official, 30 March 2015.
47 At the same time, at least for the resource-rich states the component of the plan devolution in their overall state budget is not very large, and therefore the ‘annual ritual’ of having their state plan discussed with the PC was not all that important (the senior PC official whom we interviewed also emphasized that “the PC only 
discussed but was not required to approve the state plans;” Interview with a former senior PC official, 16 March 2015).
48 Interview with a former senior PC official, Delhi 4 March 2015.
49 A para-constitutional body, the NDC was tasked with a) strengthening and mobilizing the effort and resources of the nation in support of the national development plans; b) promoting common economic policies in all vital spheres, and c) ensuring the balanced and rapid development of all parts of the country (as per cabinet resolution of 1 August 1952).
broaden the remit of the NDC by tasking it with the “prescription of guidelines for the formulation of the National Plan, including the assessment of plan resources and [the consideration of the] National Plan as formulated by the PC”. There was also a need to “review the working of the Plan from time to time and recommend such measures as are necessary for achieving the aims and targets set out in the National Plan.”

Furthermore, to reflect the more intimate link between the PC and the National Development Council the former was turned into the secretariat of the latter. Biannual meetings of the NDC were envisaged.

Notwithstanding these changes, the frequency of NDC meetings did not rise significantly. In fact, since its creation the NDC met only 57 times in plenary session (about once a year); the last recorded meeting took place on 27 December 2012, even though a de facto NDC meeting was held in December 2014 at the PM’s residence to discuss the replacement of the PC and the NDC with the NITI Aayog. The prevailing consensus is that the NDC did not live up to the expectations of its revised brief in 1967. The PC set the agenda of the NDC, convened NDC meetings; approved the Approach Paper and draft Plan Paper which were almost presented to the NDC as a ‘fait accompli’. There was little room for discussion and debate as NDC meetings took the form of a conference in which each participant was given limited time to voice his/her opinion, but alternative visions could not be discussed in-depth. In time, this gave the NDC a ‘ritualistic air’, in which the states were brought into line with the proposals of the PC rather than turned into stakeholders in co-devising the Plan.

NDC meetings within a five-year plan cycle were meant to involve the states in the approach of a Plan, the making of the Plan and its implementation. In practice, the input of the NDC in the three stages of the Planning process was minimal, as the bulk of the work here was done by the PC, the Prime Ministers’ Office and union cabinet (for approval). For instance, the Chief Ministers only received the relevant documents (including the draft Plan) a month before the planned NDC meetings. As a key observant in the PC opined: ‘Which Chief Minister is going to read through hundreds of technical pages in such a limited period of time, assuming (s)he has the expertise to understand the content?’ The NDC may have sought “the illicit cooperation of the states in the Plan, but without the possibility to change it”. The more widespread occurrence of party incongruence in the composition of the union and the state governments weakened the NDC as a ‘decision-making body’ as it became a more relevant forum for ‘competitive politics’, in which Chief Ministers could air their grievances with the policies and ideology of the union government of the day.

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50 adjusted NDC mission as stated on the Inter-State Council webpage: [http://interstatecouncil.nic.in/Ndc.html](http://interstatecouncil.nic.in/Ndc.html); accessed 26 February 2015.

51 Rekha Saxena, *Situating Federalism: Mechanisms of Intergovernmental Relations in Canada and India* (New Delhi: Manohar, 2006),

52 They also left pace for discussion on a range of issues that touched upon Plan interests though were not strictly related to the Planning process itself. For instance, of all NDC agenda items covered between 1952 and June 2005; 69% strictly related to Planning, about a quarter to issues of land reform, food, agriculture, power and irrigation; 14 percent concerned rural development items and 13 percent pertained to welfare items such as health, employment and education (Saxena, “Sitatating Federalism”, p.266).

53 Interview with a former PC senior official, 4 March 2015

54 It is also noticeable that the frequency and relevance of NDC meetings did not increase in periods of central coalition government. At least between 1989 and 1998, central coalitions rarely outlived their five year term,
these may have provided a current of ideas on the basis of which a case for more substantive change in center-state relations was made, but they did little to strengthen shared rule at the Centre.  

The NITI Aayog and its effect on Indian federalism: more state autonomy and shared rule?

Since the BJP majority government came into power in 2014, the PC has been replaced with the National Institution for Transforming India (NITI Aayog). The arrival of the NITI almost coincided with the publication of the report of the Fourteenth Finance Commission which recommended to increase the state share of the divisible pool of tax revenue from 32 to 42 percent. As a corollary, the share of revenue which the center used to set aside for the financing of Plan grants or other CSS was considerably reduced.  

Yet, in 2015-16 the center still allocated about 23 percent of its resources to the states, usually under the form of CSS. Within this amended federal architecture, two questions arise: (1) how does the current role of the NITI Aayog compare with its predecessor; (2) to what extent is the current structure and composition of the NITI more conducive to involving the states as stakeholders compared with the PC. We address both questions in turn bearing in mind that our findings give a very preliminary assessment in view of the short-life span of the NITI.

The cabinet resolution of 1 January 2015 which gave birth to the NITI put the development of a “shared vision of national development priorities, sectors and strategies with the active involvement of the states in the spirit of ‘co-operative’ federalism’ at the heart of NITI’s mission. In its first eighteen months the NITI was instructive in forging a report on the restructuring of CSS in the context of the new fiscal environment emanating from the adoption of the Fourteenth Finance Committee report (similar reports also emerged on ‘Clean India’ and Skills Development). This ‘Chauhan report’, so-named after the BJP Chief Minister of Madhya Pradesh who chaired the relevant sub-group of Chief Ministers, recommended dividing existing CSS into core schemes (which all states need to opt into and are crucial to further ‘National Development’ such as poverty elimination, rural employment, midday meal scheme provision for school children among others) and optional schemes

making Planning and the scheduling of NDC meetings more difficult. More importantly, (some) Chief Ministers could wield more effective influence on policy through their participation in national executive office than by meetings with 27 of their state counterparts (+ representatives from the union territories).

For instance, as highlighted above, the NDC has been instructive in triggering several reports, taken up by itself or by the PC in relation to issues which affect the position of the states in India’s political economy. A recurrent issue for instance is the functioning of Centrally Sponsored Schemes. The NDC set up sub-committee to look into this matter as early as 1967 and discussed it again in 1984 and subsequent meetings. More recently, but reflecting concerns aired by some states in the NDC and other forums, the ‘Chaturvedi commission’ reported on the restructuring of CSS in 2011 and paved the way for a reorganization in 2013, prior to a more comprehensive overhaul by the BJP in 2015/16.

Budget estimates for Central Assistant to State Plans were reduced from Rs. 3.38 trillion in 2014-2015 to Rs. 2.05 trillion in 2015-16 and Budget estimates for CSS dropped from Rs. 2.52 trillion to about Rs. 1.69 trillion (excluding CSS benefiting UTs); see NITI (2015), ‘Chauhan Report’ or Report of the Sub-Group of Chief Ministers on Centrally Sponsored Schemes, (Delhi: October 2015).

56 Cabinet Resolution (1 January 2015), The Gazette of India, REGD NO L.-33004/99, 7 January 2015, 9 pp.

58 NITI, “Report of the Sub-Group of Chief Ministers on CSS”
(which most states will accept for now).\footnote{Interview Bibek Debroy, member NITI Aayog, 18 February 2016} Importantly, these funds will be disbursed by the Ministry of Finance. A senior secretary in the Ministry of Finance whom we interviewed in February 2016 argued that in doing so, the Ministry of Finance would largely adopt the formulae which the Finance Commission applies to determine the inter-se state distribution of pooled tax resources to the states.\footnote{Interview with G.C. Murmur, Secretary Finance Ministry, 19 February 2016. NITI (2015), “Report of the Sub-Group”, executive summary.} If upheld, the process of central grant making (the replacement of Plan grants with lump sum central grants disbursed largely on the basis of Finance Commission formulae) would become less discretionary. At the same time, the influence of the NITI (compared with the PC) would have weakened, given that decisions on the monetary allocation of development funds will have shifted more squarely to the Ministry of Finance and the affected union ministries.

However, the Chauvan report is less clear on this matter: it specifies that the Ministry of Finance will make scheme-wise allocations for core schemes, with ‘transparent criteria for state allocation of funds’ whereas the relevant criteria for optional schemes are to be ‘evolved by the NITI Aayog in consultation with state Governments and central ministries’.\footnote{The hilly or special category of the NE states and Himalayan states will continue to receive special recognition in the lump sum allocation of core and optional schemes, but there will not be a specific stream of grants to fund Special category states; nor has the Gadgil-Mukherjee formula survived.} The same report also states that for the ‘core schemes; the center will assume 100, 90 and 60 percent of the cost benefiting the union territories, NE and Himalayan states and the remaining states respectively; and for the ‘optional schemes’ the central cost sharing ratio will amount to 100, 80 and 50 percent respectively.

A former IPS officer who served in the NITI until Summer 2016 and subsequently took up a post in the Bihar state administration conveyed to us that the actual practice in 2016 followed the stipulations of the Chauvan report. More in particular, the Prime Minister’s Office, through its control of the NITI influenced the inter-se state allocation of funds, especially the optional schemes and thus reduced the extent to which their state-wise allocation would be free from discretion or under the control of the Ministry of Finance.\footnote{Interview with an IPS officer formerly with the NITI and (as of 2017) with the state government of Bihar, 6 December 2016, Delhi. The same interviewee also mentioned general discontent within the PMO with the recommendations of the XIVth Finance Commission which were seen to leave insufficient funding in the hands of the central government to intervene in state matters.} Further evidence of NITI involvement can be found in the in the monitoring of CSS, and in the allocation of select and relatively minor schemes (such as ‘smart cities’). The NITI will retain an element of discretion in the disbursement of some of these schemes, for instance by introducing an element of ‘competitive state bidding’ in the selection process and by selecting those states which best correspond with the center’s stated goals and objectives; thus centralizing decision-making in this regard.

In terms of its internal structure, the NITI has been thinning its organization (100/500 personnel were transferred to other posts), and opening more space for contractual staff and
outside experts\textsuperscript{63}, thus aiming to play the role of a central think-thank. For instance, in monitoring CSS the program evaluation organization officers of the erstwhile PC have been instructed to focus not just on outcomes but also on processes and people down to the level of the implementing agencies.

Although the NITI has become a leaner body, it remains a central political institution subsumed under the authority of the Prime Minister. Next to the PM as the NITI’s chairperson, it has a CEO with the rank of secretary; a vice-chairperson appointed by the PM (since January 2015 the noted economist Arvind Panagarya) three full-time members, four ex-officio members (early 2016 these were the Union Finance, Home, Railway and Agriculture ministers) and three special invitees (early 2016 these were a former BJP president, the current Human Resources minister and the Union Minister of Social Justice and Empowerment). When confronted with the assertion that this keeps the NITI firmly under the control of the center, the member of the NITI whom we interviewed replied that as the NITI reports to the PM, it is logical for the PM to choose who will become its members and to set the NITI’s agenda.\textsuperscript{64}

In terms of its day-to-day structure, most of the NITI staff are drawn from its current cadre, relevant union ministries and secretaries and only to a lesser extent from state level planning offices and secretaries; continuing a practice of limited shared rule at the lower levels of the organization.\textsuperscript{65} However, as indicated above, external consultants and temporary advisers have come to play a larger role. Their expertise is required in assembling more bottom up input from the districts upwards, - and ideally below- as data especially from rural India at the sub-district level are often missing.\textsuperscript{66}

At the apex, the NITI is assisted by a Governing Council made up of the Chief Ministers of the States and Lt Governors of the Union Territories; in effect mirroring the erstwhile National Development Council. The Governing Council has met twice (Feb/July 2015), but not in 2016 However, in a significant departure from the PC, the NITI has set up Regional Councils ‘to address specific contingencies impacting more than one state or a region’, convened and chaired by the PM but made up [of a group of] Chief Ministers of the State\textsuperscript{67}. At its first meeting in February 2015 the NITI Governing Council set up three such Regional Councils focusing on the restructuring of CSS (as reported above), skills development and the Swach Bharat Abiyan or the Clean India Mission. The NITI has also established smaller task forces mainly at the level of the senior civil service (secretary) with the involvement of consultants to focus on poverty elimination and agricultural development. In the 2016 budget, the Finance Minister announced upcoming responsibilities of the NITI in overseeing the creation of a national agricultural market, the establishment of an Atal Innovation Mission and Techno

\textsuperscript{63} Interview with Bibek Debroy, 18 February 2016 and ‘Economic Times of India, 23 February 2015, ‘After PC, Programme Evaluation Organization under NITI Aayog expected to undergo revamp’

\textsuperscript{64} Interview with Bibek Debroy, 16 March 2015

\textsuperscript{65} Interview with Bibek Debroy, 16 March 2015

\textsuperscript{66} Interview with Bibek Debroy, 16 March 2015

\textsuperscript{67} Cabinet resolution 1 January 2015
Financial Incubation and Facilitation Program, jointly worth Rs. 11.5 billion. Furthermore, the NITI is to serve as a hub for sharing best state practices (the renewed web-site provides a platform to that effect) and identify bottlenecks in infrastructure projects.68

The structural changes in the composition of the NITI could potentially provide a stronger input of the states at an earlier stage in the policy cycle, and were welcomed by most interviewees.69 However, the PM Office and the NITI appear to have a firm hand in steering which items deserve further consideration. Ahead of the first Governing Council, the PMO in consultation with the NITI prepared a list of items for further in depth exploration from which the members of the Governing Council could choose.70 It is not clear to what extent Chief Ministers could self-nominate to become members of the Regional Council subgroups, and the central (or for that matter state) governments are not bound by the recommendations of these Chief Minister sub-groups.71 The PM (and cabinet) has the freedom to accept, partially accept or reject the reports of the Chief Ministers. Unlike the meetings of the NDC, the recorded statements of the CM are not fully available, only the minutes of GC meetings.72

Amitabh Pande, a retired secretary of the Inter-State Council (ISC), finds that with the abolition of the PC an opportunity was missed to revive the ISC as a key forum for shared rule decision-making. For him, the NDC and ISC should have merged and the assets of the PC should have been transferred to the ISC secretariat. Whilst the Finance Commission and finance ministry have taken on some of the grant making functions of the PC, by moving a second tier of experts from the PC to the Inter-State Council, the latter could have improved its policy research capacity. By placing the ISC on the same footing as the Election Commission (rather than subsuming it under the Home Ministry as is currently the case), the ISC could have secured more autonomy from the central and state governments and developed into a genuine body of intergovernmental policy formulation and coordination, including the implementation process.73 In contrast, the NITI, and in particular the Regional Councils may have given key state political actors a more important role in advising the central government on central policies that effect their interests. However, its new structure falls well short of the form of ‘collaborative’ federalism which would turn the states into equal stakeholders.

68 NITI Brief 1.
69 Interview with Indira Rajaraman, 9 March 2015; with M Govinda Rao, 11 March 2015, with Amitabh Pande, 16 March 2015, with Arun Maira, former member of the PC, Delhi, 22 February 2016 and with Sudipto Mundle, former member of the XIV Finance Commission, Delhi, 21 February 2016.
70 Interview with former senior staff member NITI, 30 March 2015
71 Interview with former senior staff member, NITI, 30 March 2015
72 For instance, we know from the minutes of the July 2015 meeting that most of the debate centered on ongoing attempts by the central government to enact a Land Acquisition Bill (or to amend the Right for Compensation and Transparency Land Acquisition Rehabilitation and Resettlement Act 2013 - NITI GC Minutes 15 July 2015). Bihar CM Kumar raised a point of order that all CM statements to a Chief Minister sub-group should be recorded under all circumstances, and not just when they are signed off by the PM raising a potential issue of limited information sharing where state opinions do not comply with current central government opinion.
73 Interview with Amitabh Pande, 16 March 2015
Conclusion

In this article, we situated the PC within the wider fabric of India’s federal political economy. We argued that the preponderance of the center in tax-raising and legislation requires a strong corrective under the form of shared rule institutions to prevent a centralization of the polity. Shared rule also makes sense insofar as the center is often dependent on the state (or sub-state entities) for the implementation of its policies.

Since the PC played a key role in determining the disbursement of discretionary central grants to the states, in setting out five year national and annual state plans and in developing and monitoring national development programs (Centrally Sponsored Schemes) its activities had a major impact on the autonomy of the states. Based on semi-structured interviews and document analysis we demonstrated that the PC contributed towards a further hollowing out of state autonomy without providing an adequate level of compensation under the form of strengthening state rule. As such it added to the centralization of the Indian federal state, even at a time when the pluralization of the Indian party system had made central governments more responsive to state interests and concerns (especially of regional parties represented in the cabinet).

However, party system change since 1989 did not produce a more co-operative, let alone collaborative federal structure in which all states genuinely came to participate in central decision-making on issues of their concern in a more structured manner. Neither the Rajya Sabha, nor the Inter-State Council or the PC engaged strongly in state shared rule. Ironically the return of de facto one party majority government in 2014 coincided with the elevation of a long-time Chief Minister to India’s Prime Ministerial office. In the preceding BJP election campaign, the BJP party discourse conveyed a strong commitment to ‘collaborative’ as well as ‘competitive’ federalism.

Although it is much too early to tell whether the NITI approaches center-state interactions in a substantially different way from the PC before, the creation in 2015 of several Regional Councils under its helm appears to have given (some) states a stronger footing in the early stages of the central policy process. However, the agenda-setting capacity of the central government and in particular, the PMO and Finance Ministry’s ability to determine the scope and input of the states appears to have weakened the aspirations of the NITI as a key intergovernmental body tasked with streamlining India’s collaborative federalism. Furthermore, the continued near-absence of state-based representations among the NITI’s cadre confirm its status as more of a ‘central’ than intergovernmental think-thank.

An overall reduction in the conditionality of central grants to the states and the erosion of highly discretionary erstwhile plan grants could strengthen the fiscal and policy autonomy of the states. Yet, some interviewees hinted at continued interference of the NITI (or more accurately the deployment of the NITI by the Prime Minister’s Office) in determining the distribution key for a range of CSS. Others lamented the power-shift from the NITI to sectoral ministries and the Ministry of Finance. Either way the lack of the NITI to weigh on center-state relations is made apparent. In case of the former the NITI appears as the mouth-
piece of the economic policy of the central government in the same way as the PC before. In case of the latter, the NITI appears weakened because it has less discretionary control over grants and therefore less ‘power’ to coerce the states, let alone the union ministries into adopting policies of its choice. This need not be a concern for Indian federalism if said union ministries were to streamline center-state relations in their internal modus of operandi. However, most evidence suggests that these ministerial departments are even weaker in mainstreaming the viewpoints of the states in their internal decision-making processes than the PC and NITI, thus potentially opening the door to further centralization.
Table 1: The prevalent role of the states in public expenditure

<table>
<thead>
<tr>
<th>Expenditure Item</th>
<th>Share of Centre</th>
<th>Share of States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defense services</td>
<td>100.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>46.0</td>
<td>54.0</td>
</tr>
<tr>
<td>Administrative services</td>
<td>35.2</td>
<td>64.8</td>
</tr>
<tr>
<td>Organs of the State</td>
<td>37.6</td>
<td>62.4</td>
</tr>
<tr>
<td>Pension and other retirement benefits</td>
<td>36.6</td>
<td>63.4</td>
</tr>
<tr>
<td>Education, art and culture</td>
<td>11.1</td>
<td>88.9</td>
</tr>
<tr>
<td>Medical and public health, water supply and sanitation</td>
<td>11.5</td>
<td>88.5</td>
</tr>
<tr>
<td>Family welfare</td>
<td>23.5</td>
<td>76.5</td>
</tr>
<tr>
<td>Housing</td>
<td>56.6</td>
<td>43.4</td>
</tr>
<tr>
<td>Agriculture and allied services</td>
<td>32.4</td>
<td>67.6</td>
</tr>
<tr>
<td>Industry and Minerals</td>
<td>57.8</td>
<td>42.2</td>
</tr>
<tr>
<td>Power, irrigation and flood control</td>
<td>11.8</td>
<td>88.2</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>51.3</td>
<td>48.7</td>
</tr>
<tr>
<td>Public Works</td>
<td>17.6</td>
<td>82.4</td>
</tr>
</tbody>
</table>

Table 2: Per Capita Central Releases (in Rupees) to the Least and Most Developed States in select Centrally Sponsored Schemes with India inter-state average in bold

<table>
<thead>
<tr>
<th></th>
<th>Least Developed States</th>
<th>India</th>
<th>Most Developed States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Odisha</td>
<td>Bihar</td>
<td>MP</td>
</tr>
<tr>
<td>MGNREGA</td>
<td>218.4</td>
<td>129.4</td>
<td>432.9</td>
</tr>
<tr>
<td>PMGSY</td>
<td>367.4</td>
<td>255.7</td>
<td>242.5</td>
</tr>
<tr>
<td>NRHM</td>
<td>246.3</td>
<td>154.7</td>
<td>204.9</td>
</tr>
<tr>
<td>SSA</td>
<td>160.4</td>
<td>159.1</td>
<td>183.3</td>
</tr>
<tr>
<td>MDM</td>
<td>81.5</td>
<td>67.2</td>
<td>82.0</td>
</tr>
<tr>
<td>TSC</td>
<td>14.8</td>
<td>14.4</td>
<td>19.0</td>
</tr>
<tr>
<td>NRDWP</td>
<td>49.7</td>
<td>22.7</td>
<td>49.7</td>
</tr>
</tbody>
</table>


Abbreviations:  MGNREGA = Mahatma Gandhi National Rural Employment Guarantee Act ; PGMSY = Pradham Mantri Gram Sadak Yojana (rural road connectivity programme); NRHM = National Rural Health Mission; SSA = Sarva Shiksha Abhiyan (universalization of elementary education through investment in school infrastructure); MDM = Mid-Day Meal Scheme; TSC = Total Sanitation Campaign and NRDWP = National Rural Drinking Water Programme