From New Delhi by Susan Maitra

Eighth Plan breakthrough on the anvil?

The prime minister has called for bold initiatives on the economy, and wheels are spinning at the Planning Commission.

Discussion is heating up on the outline of India's Eighth Five Year Plan, whose implementation will begin less than two years from now, on April 1, 1990. Wheels are spinning at Yojana Bhavan on Parliament Street, where the Planning Commission, officially responsible for the country's development plan, is housed, but it is as yet impossible to predict what the final product will look like.

In speeches, comments to the press, and a series of informal sessions with non-official economists and others since the beginning of the year, Prime Minister Rajiv Gandhi has made it clear that he wants the Eighth Plan to be a real point of departure for putting India's economy on a sound and dynamic footing by the turn of the century.

The plan must bring about a qualitative change in the structure of the economy and society—where nearly 80% of the population is still tied to subsistence farming—and a change in the work culture.

Mr. Gandhi has said that the plan must be bold and innovative—with no "soft options" allowed—and that it must focus on agricultural development, employment generation, and increased use of science and technology to raise productivity. Mr. Gandhi has also emphasized that the planning process must be institutionally rooted at the district level, or "decentralized," to involve the ordinary citizen.

It's a tall order by any standards, certainly by those of India's planning practice to date, which has deteriorated over the years to a tedious exercise in linear extrapolation of existing activities and sector allocations. At Mr. Gandhi's insistence, the Seventh Plan, now all but over and woefully behind target, had been presented in the context of a 15-year perspective to remove poverty and unemployment by the year 2000.

Planning Commission gophers have translated this goal into a requirement of a 6-7% annual rate of growth of GDP for the Eighth Plan (compared to the 4-5% of the Seventh Plan and India's historical average of 3.5%). The 7% overall growth rate has been further broken down into a requirement of 5-7% growth in agricultural output and 12% growth in industry. So far, the numerologists have neither explained *how* to increase growth, nor shown how the designated rate will eliminate poverty and unemployment in the real world.

Other numbers are more to the point. For instance, considering current demographic trends and the present backlog of unemployment, it is estimated that to remove unemployment by the year 2000, the rate of productive job-generation will have to climb to 10 million new jobs per year by then. For comparison, India's organized sector, which conists of medium and large industry, infrastructure, public administration, and services, currently absorbs some 500,000 new workers a year!

Can the planners come to grips with these types of "real numbers" using more than rhetoric? Much will depend on the political leadership brought to bear, as Union Energy Minister Vasant Sathe, for one, clearly comprehends. Sathe wrote recently to the prime minister, arguing that it is essential to examine the causes of failure to achieve plan targets in the past 20 years while preparing the Eighth Plan. In many items in both industry and agriculture, Sathe pointed out, the country has not yet met targets set for 1975-76.

For instance, said Sathe, in a core sector such as steel ingots, production levels of 30 million tons should have been reached by 1975-76, and 60 mt by 1985-86. Instead, by 1985-86 only 12.15 mt was achieved. Or, take power: Installed capacity should have been 80,000 MW by 1985-86, but only 52,399 MW was achieved. We must reflect, say what has gone wrong, and correct it, says Sathe, "In these matters honesty is the best policy, *and the best politics*.

In his letter, Sathe further argued that priority emphasis must be on infrastructure, because both industrial growth (as an end product) and large-scale employment growth can result only from the availability of these infrastructure inputs at economical prices. One million tons of steel can create employment for about 250,000 people downstream, and the spinoffs in terms of industrial products based on steel is many times more valuable than the steel itself. Similarly, he said, one megawatt of power, which costs a little less than $1 million today, generates industrial production seven times its value.

Hopeful is the fact that this time around, the plan discussion is being deliberately broadened to include serious individuals beyond the circle of planning bureaucrats. Businessmen, professionals, economists, and others have been involved in the work of the different task forces set up by the Planning Commission. And a flurry of "approach papers" authored by Planning Commission members and others has thrown up a number of sound ideas—some of which will be evaluated in this space in the future.