

PART TWO

The Organization of Planning

Chapter X

Planning Machinery Priorities

If we could first know *where* we are, and *whither* we are tending, we could better judge *what* to do, and *how* to do it.—Abraham Lincoln

INTRODUCTION

THE KIND of planning machinery a country establishes, like the kind of development planning it adopts, depends largely on its political, social and economic institutions and its stage of development. In the socialized economies, establishment of a central planning agency is an essential first step in the planning process. The economic plan in these countries is not the only instrument for setting economic policy, but it is frequently the principal and decisive one. The two primary tasks of a central planning agency in most socialized countries are to prepare plans based on government directives and to co-ordinate all major controls on wages, demand, manpower, investment, prices and other economic factors for the purpose of achieving plan targets. As indicated earlier, there is a clearly noticeable tendency in socialized countries toward the decentralization of economic decision-making as their economies develop. This involves the creation or expansion of regional or local planning bodies and the gradual devolution of an increasing amount of authority to them. In Yugoslavia, since 1952, planning bodies in republics, districts and, especially, communes have taken over many planning functions formerly exercised by the central agency. Since 1957, a similar trend has developed in the USSR, Mainland China and, more recently, in most Eastern European countries. But in every socialized country, a central planning agency continues to formulate the national development plan which planning bodies in the regions, localities and enterprises use as the main guide in preparing their own plans.

In the mixed economies in contrast with the socialized economies, a central planning agency has generally been established long after

development activity has started in the form of a series of projects, an integrated public investment plan or a more comprehensive development plan. In India, for example, when a Planning Commission was established in 1950, it found a large stockpile of projects in process of execution which, after being collected, largely constituted the First Five-Year Plan. In several countries, more advanced development plans have been prepared before a central planning agency was established. Sweden, where several multi-annual "national budgets" were formulated by *ad hoc* commissions, has only recently established a central planning agency. And Finland, where a temporary commission prepared a five-year plan, has not yet established a central planning agency. In Taiwan, also, the establishment of a real central planning agency came long after development programming began.

WHEN A CENTRAL PLANNING AGENCY WORKS BADLY

In most countries with mixed economies, development efforts—whether reflected in projects, programs or plans—have generally been more or less co-ordinated through an annual financial budget. As we have seen, this remains the commonest way in which public investment activities are co-ordinated. This means that, in practice, it is the budget office, usually located in a ministry of finance, which is the *de facto* planning authority in most countries. The establishment of a central planning agency frequently does not alter existing practice appreciably. The ministry of finance is apt to continue determining the allocation of public funds through the budget with only limited reference to plans which a central planning agency produces.

The shortcomings of this system are obvious. Yet it must be recognized that even without a central planning agency, a country can sustain a high rate of growth when reasonably well-prepared projects are co-ordinated through a budget by a competent ministry of finance. This was, for example, true in Mexico until 1955 and in Israel until 1961, when functioning central planning agencies were first established in both countries. And since the planning agencies in both countries have not operated effectively, the allocation of public investment resources is still largely determined by their respective ministries of finance through their annual budgets. The available evidence in these and in other countries suggests that, although a central planning agency may be useful and, possibly, essential to rapid development sometimes

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in some countries, it is not necessary for rapid development in all countries at all times.

Nor does the addition of a central planning agency to a government administration, by itself, improve efficiency, eliminate bottlenecks or speed development appreciably in most countries. Experience indicates that where a government is administratively backward, corrupt or politically unstable (or ruled by a coalition of parties or by a military junta), or where its leaders are not genuinely committed to development planning, the establishment of a central planning agency is generally of little value in bringing about a significant improvement in the rate of development. The presence of one or more of these limiting factors in many less developed countries explains why most central planning agencies have been far less effective than they might have been. In countries where government ministries, departments and agencies have considerable autonomy, a central planning agency is also unlikely to play a significant role in development activities. This is an important reason, for example, why the central planning agencies in Mexico and Israel have had only limited influence on the course of development in their countries.

Despite the ineffectiveness of central planning agencies in most less developed countries, the prevailing assumption in planning circles is that it is desirable as a first step in the planning process for every country with a mixed economy, regardless of its stage of development or conditions in its government, to establish a central planning agency. Thus, the Latin American Planning Seminar, composed of 37 experts "with wide experience in the work of economic and social planning"¹ recommended that

at the initial stage the minimum organization would consist only of the central nucleus . . . [i.e., the central planning agency].²

In practice, the creation of such an agency generally involves the grafting of the new entity to some point in the public administration in an otherwise essentially unchanged government structure. The head chosen for the new agency is then expected simultaneously to staff it, set up a working planning organization and produce a development plan, usually within a period of a few months or a year. He never succeeds in doing all these things and frequently fails conspicuously in accomplishing any of them within the assigned period.

¹ UN, ECLA, *Report of the Latin American Seminar on Planning*, p. 1.

² *Ibid.*, p. 44.

There is a widespread lack of understanding that it takes a long time to staff and build a viable central planning agency. In this connection, Pakistan's experience with its central planning agency is both pertinent and revealing. Since 1954, Pakistan has received the continuous services of a group of advisers provided by Harvard University with the aid of a Ford Foundation grant.³ Few countries have received high caliber foreign planning assistance on as large a scale. But after more than a decade, the central planning agency was still without an adequate staff and faced serious organization problems which prevented it from effectively performing all the functions assigned to it.

Nor is there adequate appreciation that the preparation of a good development plan takes time. The time allotted for preparing a plan is consequently likely to be much too short. As a result, many plans are completed late. The publicity which attends the establishment of a central planning agency, as well as its very existence, tends to create strong pressures for the early production of a plan. What often happens in response to these pressures is that a medium-term plan is hastily formulated with incomplete data and an inadequate number of supporting projects (which are often poorly conceived and poorly prepared), mostly within the confines of a central planning agency, sometimes almost exclusively by foreigners who usually leave the country soon after the plan has been drafted. Eventually, the plan is embodied in a volume and published with much fanfare.

In a typical case, the few available trained technicians, both domestic and foreign, have been straining hard to complete the plan within an arbitrarily prescribed period and so have had little time to acquire and train a permanent staff for the planning agency and to organize it as a going concern. Thus, with the completion of the plan, the central planning agency is not equipped to prepare the annual plan needed to make the medium-term plan operational nor to do the other tasks required to make it operational. Unhappily, therefore, although it may make a readable addition to the economic literature of the country, the medium-term plan prepared in this way is almost never fulfilled. Indeed, in some countries, it is shelved soon after its completion because it is found to be too unrealistic in the prevailing circumstances.

When the planning effort turns out badly, the central planning

³ Beginning June 1965, the World Bank has financed this technical assistance program.

agency may be abolished or replaced. More frequently, it is permitted to continue operating in virtual isolation from the rest of the government, largely ignored by government officials and political leaders.⁴ Sometimes, a second agency, with vague and apparently overlapping functions is established. Or the head or members of the first planning agency are replaced several times, the character of the planning agency is altered one or more times or it is moved from one place in the administrative structure to another. In many countries, including Burma, Colombia, Korea and Nepal, frequent changes of the head of the central planning agency, or shifts in its structure or location, have reflected dissatisfaction of political authorities with the work of the agency. Frequent changes in direction, organization or administrative location of a planning agency, generally lower its standing and impair its ability to influence development.

PRIORITY FOR PROGRAMING UNITS

Because those concerned with the creation of national planning machinery have considered it essential to concentrate on the establishment of a central planning agency, they have given little attention to the creation of "programing" units in operating organizations. The establishment of such units, which are essentially planning bodies on the level of operating organizations, is important for improving the quality of project and sector program preparation, execution and reporting.⁵ In fact, the need for special programing units in operating ministries and agencies has not been recognized by planners in most countries until long after the creation of a central planning agency. Pakistan's planning authorities only got around in earnest to the task of creating programing units in operating organizations seven or eight years after the founding of its central planning agency. The Iranian Plan Organization began to sponsor the creation of programing units in operating ministries in 1963, 15 years after its own establishment. And it took the Indian Planning Commission 13 years after its establishment to reach the conclusion that,

⁴ In Morocco, the standing of the *Division du Plan*, the central planning agency, declined to a point where it was not even involved in the formulation of the Three-Year Plan for 1965-67. The Plan was prepared by technicians from the French *Commissariat Général du Plan* in conjunction with government officials appointed by the Government to a series of sectoral and other commissions.

⁵ The role and function of programing units are discussed in the last chapter.

in order that planning of projects is done in sufficient detail, it appears necessary to set up appropriate planning units in the Ministries and design and technical organizations in major public sector undertakings. These suggestions are currently under examination in consultation with the Ministries.⁶

But most countries have not even gone as far as this. Consequently, only a few governments have organized programming units and fewer still have units which operate effectively.

As already indicated, a prime technical difficulty encountered in the execution of most public investment plans has been the absence of a sufficient number of well-prepared projects, as well as the lack of effective systems for carrying them out. Since the proper preparation of enough good projects and their combination into sector programs which take account of priorities and resources are indispensable to rapid development, whether or not a plan exists, it is clear that programming units in operating agencies are at least as important as a central planning agency for any country which seeks to speed its rate of growth. Indeed, the absence or ineffectiveness of programming units is the most important flaw in the planning apparatus of even the more experienced less developed countries. But the almost complete lack of such units in countries in earlier stages of development, practically all of which have barely begun to learn how to prepare projects and sector programs, is an especially severe handicap to effective planning. Thus, Ecuador's planners concluded that

it can be said that the National Planning Board has not yet reached a high level of its functions due to the fact that, in order to carry out the process of national planning, it is necessary to have a central office as a nucleus, and programming offices in all the economic sectors. There is the nucleus in Ecuador for this process which is the National Planning Board; but the sectoral components which would permit this process to be fully carried out is lacking.⁷

Experience shows that in countries at the beginning of the planning process, there is little chance that aggregative plans can be carried out until the rudiments of project and sector programming are mastered.

⁶ India, Planning Commission. *Third Plan Mid-Term Appraisal*, pp. 124-125.

⁷ Ecuador, National Board of Economic Planning and Coordination. "Chapter IV. The Organization for the Plan for Economic Development and the Administrative Reform," p. 8.

There is therefore a reasonable probability that these countries would benefit more at first from the establishment of programing units than from the establishment of a central planning agency. It is also possible that more rapid progress toward development could be obtained from programing units in operating organizations than from a central planning agency in countries characterized by political instability, or lack of genuine commitment of political leaders to development. Such countries have shown that they are not yet ready to make effective use of a central planning agency because they will not or cannot do what is required to carry out a national development plan. Yet, there are often "islands" of relative stability or commitment in one or more ministries or government departments and agencies in these governments where programing units can do effective work in improving project and sectoral programing.

The creation of such units would tend to speed up development and could also provide an essential foundation for the formulation and execution of plans prepared by a central planning agency established at a later stage. The number of programing units created at one time in government operating organizations would depend on the availability of technicians and the opportunities for such units to do constructive work. Even if the lack of technicians or conditions in a government made it feasible to establish a unit in only one operating organization, it could have a significant "demonstration effect" on the rest of the administration.

The ideal approach, of course, is to try to establish both a central planning agency and programing units simultaneously. But the acute shortage of technicians precludes this solution in many, if not in most, less developed countries. There just are not enough trained planners and technicians, whether of local or foreign origin, available to do both jobs at the same time in most countries. Nor is it to be expected that, if a central planning agency is given first priority, it can take on as one of its first assignments the creation of programing units. As already noted, there are generally too many pressures on a newly created central planning agency to produce a development plan quickly to permit it even to organize itself as a viable entity in less than five to ten years. But even more important, as will be seen later, there are good reasons for believing that a central planning agency is not an appropriate medium for organizing programing units in operating organizations. For most less advanced countries in early stages of development, therefore, the choice comes down to whether a central

planning agency or programming units in ministries, departments and agencies will do more to accelerate development in the first instance.

PRIORITY FOR IMPROVING BUDGETARY PROCEDURES

It is desirable that a central planning agency be established as soon as a government is willing and able to make a reasonably adequate effort to carry out the more advanced development plans which a central planning agency is best qualified to prepare and co-ordinate. But until then, it is likely to be easier and quicker in many countries to get better co-ordination of public investment expenditures by improving budgetary procedures of an existing budgetary authority (along lines described in Chapter VII) than to get it through planning procedures of a newly created central planning agency. Experience shows that it is undesirable to try to establish a central planning agency prematurely. The time and benefits gained by its creation are likely to be outweighed by the time and effort needed to secure its acceptance within the government.

In many countries where central planning agencies have been in existence for years, they are still unable, under conditions prevailing in their governments, to exercise the co-ordinative functions which their enabling legislation gave them. Although it is usually neither practicable nor desirable to abolish an ineffective central planning agency in countries where one already exists, the most effective way of quickly improving co-ordination of public investment in these countries may also be by improving current budgetary practices and organization. Experience shows that it is largely a waste of time to try to force upon an indifferent, reluctant or hostile public administration a theoretically more advanced form of co-ordination through a central planning agency which, at best, must take a long time before it is accepted by the rest of the government administration. It is apt to be easier to improve co-ordination through a budget office which is already fully accepted by operating organizations in a government.

The discussion in previous chapters has made the point that sound budgetary controls and practices, like effective project and sector preparation and execution, constitute a prerequisite for successful implementation of development plans. This implies, of course, that the improvement of budgetary procedures and practices, where needed,

must get at least as high a priority as (1) efficient project and sector program preparation and execution, and (2) aggregative planning. Experience unfortunately shows that countries almost never have the technical resources to prepare a plan and tighten budgetary controls simultaneously. Of course, they are even less able to establish programming units, as well as improve budgetary procedures and prepare a plan at the same time. In practice, therefore, budgetary betterment, like programming units, almost always gives way to the establishment of a central planning unit and the preparation of an aggregative plan. The effects of this approach to planning are all too evident in the record of failure to implement development plans in most less developed countries.

A PLANNED APPROACH TO PLANNING ORGANIZATION

Before setting up planning machinery for a less developed country, therefore, serious consideration needs to be given to the alternatives to a central planning agency. Even if a central planning agency is decided upon, much thought needs to be given to the kind of planning which the agency will be expected to do. One might think it is obvious that the kind of central planning organization required for simple planning ought to be different from one needed for complex planning. But experience shows that it is not obvious. Many countries establish central planning agencies without giving much thought to whether the agency is going to begin by rationalizing current public investment, preparing sector programs, regional plans, an investment plan for the public sector or a comprehensive development plan; or whether it will draw up a one-year, five-year or twenty-year plan. If one may judge from the functions usually assigned to central planning agencies, there appears to be a notion, vague and undefined though it may be, that it is to do all these things and more.

A country about to establish a planning apparatus has much to learn from the experience of countries which have been planning for some time. Indeed, few countries seek to avail themselves of the experience of other countries before they establish their planning apparatus. Partly, this is because the experience of other countries is not always known; but it is also partly due to the fact that each country tends to assume that its own social, political and economic problems are unique. Of course, this is true. But it is also true that most countries

have many similar problems and, experience shows, frequently make the same mistakes. Clearly, investigation is called for before a country embarks on a planning course. But if a country has much to learn from the experience of other countries, there are also dangers in the uncritical adoption by one country of the planning organization of another. For example, India's planning organization has attracted many countries. But, as Professor Galbraith has pointed out,

the Government of India is a complex and multifarious thing which reflects the great variety of tasks undertaken by India in her stages of development. An equally complex organization would be a major misfortune for one of the newer African states with, for the foreseeable future, a far simpler range of tasks.⁸

Recent successes of the French planning system and organization have also made French planning organization particularly attractive to other countries. The French system of "indicative planning," involving the use of a large number of sectoral and general commissions which perform important tasks in the course of plan preparation, is based on cartelized industries, much of it nationalized, public investments which approximate half of total investment in the country, along with a nationalized credit system and government controls over private industrial financing, a weak trade union movement and a tradition of close co-operation between business and government. In addition, it relies on a civil service system of especial competence. Few less developed countries can lay claim to a similar set of circumstances. Yet several less developed countries with very different conditions, including Egypt, Morocco and Tanganyika, have modeled their planning organization on the French prototype.

What happens when a less developed country adopts a system of planning which is beyond its capacity has nowhere been revealed better than in Morocco. Soon after independence, the Moroccans abstracted from the French governmental structure the relatively complex French planning apparatus and transplanted it almost without change to their own country. But Morocco was not ready to make effective use of a planning system which depended on a well-coordinated public administration, staffed with experienced civil servants working under broadly agreed and consistent directives. Partly for this reason, planning in Morocco fell far short of potentialities.

There is much to be said, therefore, for a country about to plan its

⁸ Galbraith, John K. *Economic Development in Perspective*, p. 27.

development to begin by planning its planning organization in a systematic way. To this end, it might be worthwhile for the head of government to appoint a high-level committee, with access to the best available local, foreign and international technical advisers, to determine the kind of planning machinery most suited to a country which seeks to begin to plan. In making its recommendations, the committee must take account of the country's political, economic and social circumstances, its stage of development and the scarcity of technicians, as well as the kind of planning called for in the prevailing situation. If hearings, at which qualified and interested persons could testify, were held and the committee's proposals widely circulated, the committee could become the medium for creating workable planning machinery whose creation was based on a careful consideration of all the relevant facts.

This was, in essence, what was done in India. In 1946, just before India's independence, the Interim Cabinet of the Government appointed an Advisory Planning Board to survey the planning work which had already been done and to recommend means for establishing effective planning machinery.⁹ The Board produced a widely publicized report which, together with the work of other groups, led in 1950 to the establishment of the Indian Planning Commission. In contrast to this organized approach, many less developed countries have an individual or two draft a decree or other legislation informally, often *in camera*, which provides for the setting up of a central planning agency with an ill-assorted list of functions. Only rarely is there consultation with those inside or outside government most likely to be affected. Planning machinery set up in this way has usually proved to be inappropriate to the need.

SUMMARY AND CONCLUSIONS

In the socialized economies, a central planning agency is established as an essential first step in planning. But in the mixed economies, it is usually established long after development activity of one kind or another has begun. For a variety of reasons, the creation of a central planning agency has not, by itself, speeded development appreciably in most countries. Experience shows that where a government is

⁹ Ghosh, O. K. *Problems of Economic Planning in India*, p. 48.

administratively backward, corrupt or politically unstable, where its leaders are not genuinely committed to planning or where ministries, departments and agencies have considerable autonomy, a central planning agency has little chance to operate effectively. Nevertheless, there is a widespread assumption among planning experts that it is desirable that a central planning agency always be set up as soon as national planning starts. It is rarely recognized how long it takes to build a viable central planning agency or to prepare a good development plan. Consequently, it frequently happens that inexperienced planners attempt simultaneously to organize and staff a new planning agency while framing a plan under forced draught. Not surprisingly, they almost always fail.

When the planning effort turns out badly, the planning agency may be abolished or replaced, continue to operate largely ignored by the rest of the government, or its director may be removed. In many countries, including Burma, Colombia, Korea and Nepal, frequent changes in the head of the central planning agency, or shifts in its structure or location, have reflected dissatisfaction of political authorities with the work of the planning agency.

Because those concerned with the creation of national planning machinery have considered it essential to concentrate on the establishment of a central planning agency, they have given little attention to the creation of "programing" units in operating organizations for improving the quality of project and sector program preparation and execution. Consequently, only a few governments have established effective programing units in operating agencies. Since the proper preparation of enough good projects and their combination into sector programs which take account of priorities and resources are indispensable to rapid development, whether or not a plan exists, it is clear that programing units in operating agencies are at least as important as a central planning agency for a country which seeks to speed its rate of growth. For countries in early stages of development, which have only barely begun to learn how to prepare projects and sector programs, they may be even more important. Experience teaches that in these countries, there is little chance that aggregative plans can be carried out until the rudiments of project and sector programing are mastered. It is also possible that more rapid development could be obtained from programing units than from a central planning agency in countries which are politically unstable or where political leaders are not genuinely committed to development. Such countries have shown

that they are not yet ready to make effective use of a central planning agency because they will not or cannot do what is required to carry out a national development plan. But there are often "islands" of relative stability or commitment in one or more ministries or agencies in these governments where programing units can do effective work in improving the preparation and execution of projects and sector programs.

It would be desirable, of course, for a central planning agency and programing units to be established simultaneously. But there are not enough trained planners and technicians available to do both jobs at the same time in most countries. Nor is it to be expected that, if a central planning agency is given first priority, it can take on as one of its first assignments the creation of programing units. Planning agencies have shown themselves to be ill-suited for this task. For most less developed countries, therefore, the choice comes down to whether, at the beginning, a central planning agency or programing units will do more to accelerate development.

Until a government manifests a readiness to make a reasonably adequate effort to plan effectively, it may be easier and quicker to co-ordinate public investment by improving budgetary procedures of an existing budgetary authority than through planning procedures of a newly created central planning agency. Where a central planning agency already exists in an inhospitable environment, it may be neither feasible nor desirable to abolish it. But in these countries, also, the most immediate way of improving co-ordination of public investment may also be by improving budgetary practices.

In most mixed-economy countries, development efforts are generally co-ordinated through a budget. In practice, therefore, it is the budget office, usually located in a ministry of finance, which is the *de facto* planning authority in most countries. Although not the ideal way to advance development, it must be recognized that, even without a central planning agency, some countries have demonstrated a sustained ability to grow at a high rate when reasonably well-prepared projects are co-ordinated through a budget by a competent ministry of finance. The available evidence in Israel, Mexico, Taiwan and elsewhere suggests that although a central planning agency may be useful and, possibly, essential to rapid development sometimes in some countries, it is not necessary for rapid development in all countries at all times.

Thus, before setting up planning machinery for a less developed country, serious consideration needs to be given to the alternatives to a

central planning agency. If a central planning agency is to be established, thought needs to be given to the kind of planning the agency will be doing. Less developed countries about to start organized planning activities frequently seek to reproduce planning machinery of another country. While there is much to learn from the experience of countries which have been planning for some time, there are also dangers in the uncritical adoption by one country of the planning organization of another.