

Chapter XI

The Distribution of Planning Functions

If one takes care of the means, the end
will take care of itself.—Mohandas Gandhi

THE NEED FOR DEFINITION

EXPERIENCE TO date with development planning provides valuable insights into the proper functioning of planning machinery. For some activities, the central planning agency must be the key organization, but for others, different organizations are better. The effective formulation and execution of a development plan requires that almost every unit of government contribute to the process. Projects and proposals should be prepared at every level of government, from the village or municipality to the center of government and in every ministry, department or agency concerned with development. These proposals and projects should be reviewed and made a part of local, regional and national plans.

Decisions must be reached and sanctions given for the execution of plans by operating organisations, and their work must be co-ordinated to achieve maximum results. The organisational arrangements for accomplishing these purposes will involve several elements: planning units in ministries and departments; central and provincial planning organisations for review and co-ordination; arrangements for reaching decisions and giving sanctions; and systematic procedures for co-ordinating execution, observing progress, and measuring results.¹

There is, therefore, a need for every country which seeks to plan well to define as precisely as possible who is to do what and how, i.e., by what criteria or standards it is to be done. Few countries bother to do this. Consequently, in many countries there is a lack of clarity about the division of responsibility between planning and operating bodies

¹ Pakistan. National Planning Board. *First Five Year Plan, 1955-1960*, p. 95.

and an even greater uncertainty about the manner in which planning functions are to be performed. This is bad enough when there is only one central planning agency. But the difficulty is compounded when two or more planning agencies with overlapping functions compete. In Thailand, for example, the National Economic Development Board (NEDB), the legally constituted central planning agency, has had an ambiguous relationship with the Thai Technical and Economic Cooperation Office (TTEC). Although at one time the TTEC was presumably intended to be the part of NEDB responsible for negotiating with foreign and international lending and aid-giving countries and agencies, it in fact often operated independently with its own Program Division. Early in 1963, a super-Ministry of National Development, with a planning section of its own, was established and the TTEC was incorporated into the Ministry. Since the Ministry is charged with overseeing the execution of a substantial proportion of total public investment, some qualified persons believe that the role of the NEDB, never a very influential one, will diminish even further, while others think that the NEDB will be unaffected because it is expected to have the right to review the new Ministry's proposals as it has for other ministries. But since the Government has only poorly defined the new Ministry's relationship to the NEDB, no one knows for sure.

In the Philippines, also, duplication of planning agencies has confused development planning. The National Economic Council (NEC) is the nominal central planning agency, but at various times other planning agencies have been set up which sought to usurp, with more or less success, the NEC's planning functions. A National Planning Commission, established in 1950, proved to be abortive, but the Budget Commission created in 1957 prepared a five-year investment program which the then President of the Republic supported over the five-year plan formulated by the NEC. In 1963, a Program Implementation Agency (PIA) was established to give effect to development goals set by the NEC. With the division of authority between the two agencies only vaguely defined, PIA took over many of the NEC's functions. In the Philippines, as in Thailand, the failure of government authorities to state unambiguously the respective responsibilities of planning agencies and their relationship to the rest of the Government, as well as to support them in carrying out these responsibilities, has seriously interfered with their effectiveness. Other countries also have or have had more than one central planning agency operating simul-

taneously. Thus, Brazil had a Development Council and a Planning Commission (COPLAN) competing with each other, while Mexico has a planning body in the Department of the Presidency as well as an Interministry Planning Commission. As in other countries, the simultaneous existence of two planning agencies in Brazil and Mexico has raised jurisdictional questions and confused lines of authority.

RESPONSIBILITY FOR ANNUAL OPERATIONAL PLAN

Ultimate responsibility for all aspects of national development planning rests with a nation's supreme governmental authority, although many planning functions must be distributed throughout the public administration and to the private sector. But there are some responsibilities which this authority—be it a council of ministers, a cabinet, a chief executive, a head of state or a legislature—should not normally delegate. Among these are approval of plans and the setting of planning objectives and targets. The authorities must exercise these responsibilities themselves because together they determine the main directions and the scale of a nation's development effort, as well as the economic, political and social policies and measures required to achieve development goals.

In theory, the central planning agency should prepare plans based on objectives, targets and policies chosen by the political authority after careful consideration of the alternatives. In practice, the central planning agency often makes suggestions which the authority may adopt. This is true even in the USSR and in Eastern European countries, where planners' proposals are considered with those of others by each council of ministers when it prepares the over-all directives which provide the central planners with guidelines for the preparation of plans.² But, as was indicated in Chapter IV, in some less developed mixed-economy countries, where political authorities are not sufficiently concerned to select planning objectives and targets, the planners have taken upon themselves the task of choosing objectives and targets incorporated in a plan. When planners are able to go this far, the prospect is slim that government will do what is necessary to achieve the planners' objectives and targets.

² UN. Department of Economic and Social Affairs. *Planning for Economic Development, Report of the Secretary-General Transmitting the Study of a Group of Experts*, p. 90.

Where a central planning agency exists, it is almost always assigned the task of preparing and, when necessary, revising national development plans. In every country with a central planning agency, the agency which prepares the medium- and long-term plan also prepares the annual operational plan. However, there have been attempts to separate the two. From 1960 to 1964, this was tried in the Soviet Union. In 1960, its central planning agency (the USSR *Gosplan*) was split in two. One part, still called the *Gosplan*, retained responsibility for annual operational plans, while the second part, set up as a new agency—the State Scientific-Economic Council (*Gosekonomsovet*)—was made responsible for longer-term plans. The separation of annual operational planning from longer-term planning seems to have been prompted by the Government's desire to distribute the growing burden of planning centrally for an increasingly complex economy.³ But in March 1964, *Gosekonomsovet* was abolished and both annual and longer-term plans are again being prepared by *Gosplan*.

In the late 1950's Yugoslav authorities gave some consideration to limiting its central planning agency, the Federal Planning Institute, to the preparation of longer-term plans and to turning over the preparation of annual plans to its Federal Secretariat of General Economic Affairs, an operating agency. But the idea was rejected and has not been raised again. The separation of annual planning from longer-term planning does not appear to have been seriously considered in other socialized countries. Special circumstances seem to have played a role in the USSR. In this large and complex economy, due to the abolition of industrial ministries, the central planning agency had to perform an exceptional number of executory functions. These circumstances have not been encountered in the other socialized countries. They are even less relevant to mixed-economy countries, where the main responsibility for executing plans generally resides outside the central planning agency. One of the rare attempts in a mixed economy to separate annual from long-term planning occurred

³ When the central industrial ministries were abolished in the reforms which began in 1957, some of their functions were transferred to new regional economic councils, or *sovnarkhozy*, and others to the USSR *Gosplan*, the central planning agency. The functions acquired by the USSR *Gosplan*, especially the task of preparing and implementing allocations of essential commodities in connection with the execution of annual operational plans, greatly increased its workload. It was apparently because of the USSR *Gosplan's* increased responsibilities in the field of annual planning that the task of preparing medium- and long-term plans was turned over to *Gosekonomsovet*, the second central planning agency.

in the Philippines. The Program Implementation Agency was supposed to do annual planning, while the National Economic Council was to continue preparing longer-term plans. But, as has already been indicated, this arrangement has not worked out as expected.

Since an annual plan is the most convenient medium for adapting a longer-term plan to changed conditions, its formulation is an essential part of the continuous planning process by which a medium-term plan is revised. But because an annual plan can make basic changes in a medium-term plan, the agency which is responsible for formulating the annual plan is in fact the agency which determines the ultimate character of the medium-term plan. An annual operational plan is essentially like the medium-term plan on which it is based, expressed in greater detail. For these reasons and also because the scarcity of planning technicians makes it desirable to reduce competitive claims upon them by different agencies, annual and longer-term plans should be prepared by the same agency.

THE PLANNING AGENCY AND THE BUDGET OFFICE

The annual development or operational plan—which covers physical, human and financial resources—must be distinguished from the annual capital or public investment budget, which is concerned only with financial resources. While the first is primarily the responsibility of the central planning agency, the second is primarily the task of the budget office, ordinarily the ministry of finance. But this does not mean that the central planning agency can prepare the annual operating plan without consulting the ministry of finance, or that the latter should prepare the annual budget without consulting the central planning agency. On the contrary, there is need for the closest collaboration.

The central planning agency is responsible for making estimates of total financial resources, including nonbudgetary resources of a national government like foreign loans and aid, depreciation funds and receipts of autonomous and semiautonomous government corporations and subordinate governments. But the central planners must confer with appropriate officials in the ministry of finance to obtain estimates of national budgetary receipts and expenditures, as well as the surplus on current account which is expected to be available for public investment. While the ministry of finance has the main responsibility for making these estimates, the central planning agency should be free to propose ways of augmenting revenues and to make other sugges-

tions for increasing development resources. As Thailand's planners pointed out, the central planning agency

should exchange views with the Treasury on the possibility of increasing taxes, of introducing new forms and tapping new sources of public borrowing, and of reallocating appropriations between development and other kinds of expenditures. Guidance of this kind is needed as a counter to the frequent tendency to limit capital outlays to what is left over after demands for current purposes have been met.⁴

Conversely, when the annual budget is being prepared, the ministry of finance should work closely on a continuing basis with the central planners. This is essential if public investment funds are to be distributed in conformity with the annual development plan and if appropriate allocations are to be made for current expenditures (e.g., for training personnel and for additional wages and salaries) required as a result of public investments.

Where an agency is responsible for allocating foreign exchange for both public and private investment, it should also furnish the central planning agency with estimates of the available supply of exchange, and the central planners should participate in the apportionment of the available foreign exchange to various uses. If, as happened in the Philippines, the Central Bank allocates foreign exchange without reference to the priorities in a plan, there is little likelihood that the direction of development will coincide with that envisaged in the plan.

Close and continuous co-operation between budget and planning offices is therefore necessary, not only in the preparation of plans and budgets and in formulating programs for foreign aid and loans, but also in appraising the progress of development programs and projects. The central planning agency is especially dependent on the budget office for data to prepare a proper annual operational plan. The budget office, in turn, requires guidance from the central planners' operational plan if it is to prepare a budget which is consistent with the annual plan. Various ways have been worked out in different countries to regularize collaboration between budget offices and central planning agencies. One of the more effective devices, used in Burma and Pakistan among other countries, has been an interdepartmental budget committee with budgeters and planners as members, together with representatives of interested operating organizations, which make joint decisions on the inclusion of allocations in a budget.

⁴ IBRD. *A Public Development Program for Thailand*, p. 211.

But if a ministry of finance chooses to ignore all or a part of the annual operational plan, it may prepare a budget which bears little resemblance to the annual plan. This often happens in countries in which the ministry of finance is powerful and the central planning agency is not. One foreign adviser in the Harvard Group which counseled the central planning agency in Pakistan described the one-time attitude of the Ministry of Finance in that country in a way which recalls the situation in many other countries:

If the [Finance] Minister's estimates indicated that the domestic resources or the foreign exchange available for development purposes would be smaller than had been expected by the planners, he required that the development program be curtailed. . . . More might be allocated for nondevelopment uses and less for development than specified in the annual program. When this determination was made, however, the planners might not be represented; if represented, they did not have a vote. . . .⁵

Because ministries of finance in less developed countries often pay little attention to central planners' plans, some experts have advocated that the central planning agency be given authority to prepare the capital budget. Thus, the Latin American Seminar on Planning recommended:

The preparation of the capital budget and the public investment plan, which constitutes the first step towards the effective application of the plan, should also be the responsibility of the central planning body. The government bodies responsible for fiscal and financial matters would naturally contribute their advice, since the administration of funds and the calculations of costs falls within their jurisdiction.⁶

In Malaya, an interdepartmental National Development Planning Committee—whose secretariat is the central planning agency, not the Ministry of Finance—prepares the annual capital budget. The Permanent Secretary of the Prime Minister's Office chairs the Committee. He also chaired the Committee when he was Permanent Secretary of the Ministry of Finance, but in his personal capacity rather than as an official of the Ministry. In practice, the central planning agency has had much more influence than the Ministry of Finance in preparing annual capital budgets. In Venezuela, the central planning agency prepares a capital budget, called a program budget, which is annexed

⁵ Wilcox, Clair. "Pakistan," p. 67.

⁶ UN. ECLA. *Report on Latin American Seminar on Planning*, p. 45.

to the fiscal budget prepared by the Ministry of Finance. In Costa Rica, also, the budget, as it affects development expenditures, is prepared by the Planning Office. In Iran and Korea, the current as well as the capital budget is prepared by the central planning agencies. The Ministries of Finance in both countries have been reduced to revenue collecting agencies. This may be carrying the matter to its logical conclusion, but it goes too far. Whatever its role in preparing a capital budget (and insuring that related current expenditures are provided for), a central planning agency should not get involved in current budgetary allocations which have no direct connection with development.

There is no doubt that when a central planning agency assumes responsibility for preparing the capital budget, it acquires direct control over a powerful device for implementing its plans. But by taking on this task, it almost invariably reduces the time available for planning, its main function. This has been the experience in Surinam. The Planning Bureau there not only prepares the capital budget, but also is responsible for controlling expenditures under the Ten-Year Development Plan. About three-fourths of the planning staff are occupied with the checking of bills and the authorization of payments. As a result, long-range planning activities are neglected. When a central planning agency prepares budgets and controls the payment of bills it assumes functions normally handled by a ministry of finance. As will be seen later, central planning agencies also seek other responsibilities customarily handled by operating agencies because they facilitate execution of plans. But the answer to the problem of implementing plans can hardly be for a central planning agency to take over functions which other government offices should perform; otherwise, a central planning agency could end up encompassing much of a government.

RELATION BETWEEN PLANNING AND STATISTICAL AGENCIES

The arguments above are also relevant to the placement of statistical services. Planning is so heavily dependent on statistics that close association between those who plan and those who prepare statistics is indispensable. Because of this, especially where the statistical service has been unable to supply the data needed for planning, some countries have made the central statistical office a part of the central

planning agency. There are advantages in this arrangement. Planners are thereby able to insure that statistics are prepared in suitable form for planning. Where the planning agency and the statistical office are separated, the data frequently are not arranged as they should be for planning purposes or they are not supplied in time to be useful. In many countries, the status of the statistical office is low. Since planners are apt to appreciate the importance of statistics more than most others in government, they are likely to do more to improve the quality and quantity of the data if the statistical service is put under the administrative direction of the central planning agency. This was the primary reason, for example, why Ecuador's General Statistical Office was transferred to the National Planning Agency in 1963. Those concerned believed that the National Planning Agency was in a better position than the General Statistical Office to obtain funds for gathering data and for raising statisticians' salaries.

But there are also serious disadvantages in placing the statistical office in the planning agency. A central statistical service has to provide data for purposes other than planning. Statistics on health conditions and other social data may be of little direct value for planning but of great importance to government administrators. Moreover, the statistician may need much more time to do his job well than the planner feels he can allow. Nor, given the extent of his training and experience in many less developed countries, does the planner always know what the statistician should be doing. As indicated in Chapter VI, the points of view of the planner and the statistician do not always coincide. Their ideas about how to measure the effects of development plans may diverge.

Although the two points of view must be generally reconciled, there is still much to be said for giving the statistician a degree of independence from the planner to enable him to produce data whose reliability is not impugnable by the overriding interests of the planner. In considering the reasons for and against combining the statistical office with the central planning office, a World Bank survey mission to Uganda noted that amalgamation could endanger the objectivity and professional competence of the statistics. Moreover, the mission felt that there was also a real danger that either the planners' or the statisticians' function would be neglected if the two bodies were combined.⁷

Experience supports this view. In some countries where the statisti-

⁷ IBRD, *Economic Development of Uganda*, p. 58.

cal office has been incorporated into the planning agency, statistics have been neglected by the planners; in others, planning has given way to statistics. Morocco is an example of the latter case. The Moroccan central planning agency became concerned mostly with statistical matters, with about four-fifths of the planning agency's staff being employed in gathering and collating basic statistical material which, although required by planners, was not directly related to planning. More important, however, was the fact that much of the time of the director and other supervisors of the central planning agency was absorbed in statistical work to the neglect of planning. This has also been true in Syria, where more than 125 of the 165 employees of the Ministry of Planning have been concerned with statistics.

In some countries, a central statistical office is located within a central planning agency but is independent of the planning section of the agency; or it is outside the planning agency but reports directly to its head. For example, the Planning Division and the Statistics Division are independent divisions of Nigeria's Federal Ministry of Economic Development, while a separate Research and Statistics Bureau reports to the Minister and Vice Minister who head Korea's Economic Planning Board. Until 1964, a Planning Department and a Statistics Department also constituted two separate components in the UAR's Ministry of Planning and Finance.⁸ A Central Statistical Office and a Planning Office used to be separate parts of Thailand's National Economic Development Board (NEDB) until the Statistical Office became an independent entity in 1963.⁹ Arrangements like those in Nigeria or Korea are preferable to one which makes a central statistical office an integral part of a central planning agency. They provide needed autonomy for statisticians, but make it easier to arrange closer consultation and co-ordination between planners and statisticians than is likely if a statistical office and a planning agency are completely separate.

Nevertheless, the linking of a statistical office to an agency responsible for development planning in the same ministry or board involves the risk that statistical priorities will be largely determined by planners' wants. It may not be possible to find an organizational structure

⁸ In the latter part of 1964, the Planning Department was transferred to the Prime Minister's jurisdiction and the Statistics Department became a part of a new Mobilization and Statistics Department in the Prime Minister's Office.

⁹ Although nominally under the jurisdiction of the NEDB the Central Statistical Office in fact was virtually independent of it.

which is free of defects, but it is important that priorities for statistical work be fixed on the basis of the needs of a country as a whole and that they not be distorted because the statistical service is linked with another agency with a partial sphere of interest.¹⁰ Because the statistical function must have the broadest scope if it is to provide every legitimate need for data, the most satisfactory solution to the problem of locating the central statistical office is to establish it as an autonomous body, as free as possible from partisan pressures, including those of planners. It is noteworthy that even in the USSR, where statistical offices were incorporated in planning agencies between 1930 and 1948, they have been removed from the jurisdiction of the central planning agency and placed directly under the Council of Ministers.

It is, of course, important that there be close co-operation between the central statistical office and the users of its data. This has been obtained in some countries through a co-ordinating or steering committee, which includes as members the head of the statistical office, the chief planner and the senior officers of other interested ministries and agencies. In Uganda, for example, a Steering Committee established in 1954 had the Economic Adviser as Chairman and the permanent secretaries of ministries and the head of the East African Statistical Office as members. Through this Committee, co-ordination was achieved by balancing planning and other government requirements for data with the capacity to produce them. India's Central Statistical Organization, though administratively separate from the Planning Commission, is located in the same building as the Commission. Co-ordination is obtained through the Statistical Adviser to the Government, who is connected with the Central Statistical Organization and is also a member of the Planning Commission. A Statistics and Surveys Division in the Planning Commission is essentially a wing of the Central Statistical Organization, and is headed by its principal officer.¹¹

CO-ORDINATING TECHNICAL SKILLS

There is also a pressing need to co-ordinate the flow of foreign technical skills into less developed countries. In these countries,

¹⁰ United Nations Conference on the Application of Science and Technology, etc. *Organization of Statistical Services*, p. 3.

¹¹ Paranjape, H. K. *Planning Commission, A Descriptive Account*, p. 36.

satisfactory preparation and execution of development projects, programs and plans may depend on the availability of suitable foreign specialists and the use made of them. Yet, a haphazard and poorly conceived approach to the provision, acquisition and use of foreign skills is common. Responsibility for engaging foreign personnel or acquiring technical assistance furnished by foreign governments and international volunteer or other agencies is frequently left with each operating ministry, department or agency in a recipient country. These organizations tend to consider themselves best able to ascertain and arrange for the procurement of their own technical assistance needs. This is sometimes true; often it is not. Even if true, it is nonetheless desirable that requests for foreign technical skills in a government which is importing a substantial amount of these skills be reviewed and co-ordinated at some point.

There is, firstly, a need to bring collective demands for foreign technical assistance into line with available supply. To this end, general criteria have to be set up to determine the extent to which requests for technical skills reflect the requirements of a recipient country's economy rather than special interests or enthusiasms of the various ministries, departments and agencies making the requests. Operating organizations sometimes are carried away by their view of the importance of projects and programs they promote. This may make them overestimate their needs for technical assistance and the amount they can usefully absorb in a given period of time.¹² It is also necessary to determine the extent of the total supply, as well as alternative sources, of technical skills. Donors' scales of priorities in providing technical assistance are not always the same as those of a recipient's. A donor's program may be largely influenced by its desire to supply a recipient with certain kinds of equipment or goods—or by its foreign policy. When seen from the point of view of a recipient country, technical assistance programs of international agencies sometimes seem to be affected by too strong a belief by these agencies in

the primacy of their own special field of activity. They have tended to view the development of recipient countries too much in the light of their own contribution to it. They have also been known to press particular projects on countries, often against the latter's best

¹² Stavrianopoulos, Alexander. *Co-ordination in the Administration of Technical Assistance: The Point of View of a Recipient Country*, p. 2.

judgment of their needs, and to compete with each other in so doing.¹³

Requests for technical assistance may involve a recipient country's relations with donor countries or other agencies and lead a government to select a particular source for reasons of national policy.¹⁴ Or a recipient government may consider it preferable to engage foreign specialists directly instead of through foreign technical assistance.¹⁵ Review and co-ordination can help in these matters; and in insuring that the fullest possible use will be made of domestic technical skills as an alternative to foreign technical assistance; that foreign technical assistance will be used effectively and economically; that national counterparts will be available to work with foreign experts; and that there will not be unnecessary duplication and avoidable waste in the use of technical assistance. Where co-ordination is lacking, scarce technical resources are likely to be squandered. In a typical case, a World Bank survey mission to Ceylon found that unco-ordinated requests for foreign technical assistance in that country

resulted in duplication and overlapping, waste or poor use of specialists once obtained, sometimes procurement of the wrong type of specialist or even, occasionally, of an incompetent or completely unnecessary one.¹⁶

Procedures followed in awarding foreign and international scholarships and fellowships for study abroad are usually even less rational. Despite deficiencies, technical assistance requests are much more likely to reflect government objectives than are attempts by individuals to obtain foreign training for themselves. Frequently, scholarships and fellowships for training abroad are awarded on an *ad hoc* basis in inappropriate fields or in unsuitable universities or, from the point of view of national interest, to the wrong persons. This often leads to inadequate or improper training of individuals, unnecessarily long absences of key government officials from their jobs, or, where no prior commitment is made to return home for a stipulated period after

¹³ *Ibid.*

¹⁴ This is especially true of bilateral technical assistance.

¹⁵ For example, a recipient country might prefer to engage foreign technical assistance directly if it believed there was a possibility or semblance of divided loyalties on the part of specialists furnished by another government or if it found donors reluctant to furnish technicians for operational jobs.

¹⁶ IBRD. *Economic Development of Ceylon*, p. 62.

completion of foreign training, to the emigration of well-trained professionals.

When there is a lack of co-ordination, donors and recipients of technical assistance both suffer. Because of the world-wide shortage of competent technicians available to donors for use in developing countries, donor countries and agencies can ill afford the waste of this scarce resource when their technicians are not put to productive use in a recipient country. But when this happens, the worst sufferers are, naturally enough, the recipient countries. For besides direct costs for foreign technical assistance which recipient countries may have to bear, there is often a diversion, sometimes substantial, of equally scarce counterpart skills which might have been better used elsewhere. Consequently,

the real question for the Government of a recipient country is not: 'Will this Technical Assistance project make a contribution to the country's development?' but 'Will this project make a greater contribution than another possible project involving equivalent costs in scarce resources?'¹⁷

Co-ordination of foreign technical assistance is a dual task. There is, firstly, the job of choosing among rival claims in behalf of the different sectors of national economic and social activity. This is implicit in the reconciliation of requests from the various government ministries, departments and agencies. There is, secondly, the task of welding together offers of technical skills from different sources into a coherent program which avoids gaps, duplications, inconsistencies and wasteful allocation of resources.¹⁸ This twofold task requires, in addition to the co-ordination of technical assistance requests submitted by the several government organizations in a recipient country, that foreign agencies which supply technical assistance co-ordinate their activities. Such co-ordination can, in practice, be achieved best only in the country receiving the assistance, although broad guidelines can be laid down elsewhere. But experience shows that even when done in the recipient country, co-ordination by supplying agencies is unlikely to be effective unless the country itself has first co-ordinated its own agencies' technical assistance requests.

This can be best achieved by centralizing the review of requests for

¹⁷ Stavrianopoulos, Alexander. *Co-ordination in the Administration of Technical Assistance: The Point of View of a Recipient Country*, p. 3.

¹⁸ *Ibid.*, p. 1.

technical skills in one government organization. In some countries, however, co-ordination is divided between two or more organizations. Thus, the Nigerian Federal Ministry of Economic Development is supposed to co-ordinate requests for all technical skills required by the Federal and Regional Governments except technical assistance supplied by the United Nations Special Fund, which is handled by the Ministry of Finance.¹⁹ In Turkey, the Ministry of Finance is responsible for administering technical assistance from the Organization for Economic Co-Operation and Development and from the United States, while the Ministry of Foreign Affairs administers technical assistance from certain other countries, the United Nations and some other international agencies. These split arrangements do not seem to work as well as when co-ordination is centralized in one organization. The arrangement in Turkey, for example, has made it difficult to co-ordinate the Government's technical assistance activities.

A special problem is encountered in federal governments where powers are divided between the center and political subdivisions. In these countries, different ways have been evolved for dealing with foreign technical assistance. In Nigeria, for example, each regional government co-ordinates its own foreign technical assistance requests. In Pakistan, on the other hand, it is the Central Government which carries out this function. Since regional authorities in federal and in some unitary governments are in a better position than authorities in the capital to determine their requirements for technical assistance, there is much to be gained by having them co-ordinate their own requirements. Nevertheless, there is also likely to be an advantage if the combined requests of each are then co-ordinated in an organization at the national level. This permits a country to review its total requirements in the light of national policy and the availabilities of domestic, as well as foreign, technical skills, and to take fuller advantage of economies of scale than each political subdivision can.

The co-ordination of foreign technical assistance and foreign training programs involves a recipient country in negotiations with foreign nations and international agencies. Some countries have therefore considered it appropriate to charge their ministries of foreign affairs with this responsibility. But these ministries have not proved to be efficient media for the purpose because they are generally poorly

¹⁹ Special Fund assistance is considered different from other technical assistance because it is concerned with projects and programs in the preinvestment stage.

informed about priorities for using technical skills effectively in their own countries. A ministry of finance or a ministry of economic affairs has sometimes done well in co-ordinating foreign technical assistance activities. A ministry of finance is, however, prone to be concerned with the financial aspects of technical assistance instead of its wider implications for development. In countries with a national development plan, experience shows that a central planning agency is in the best position to determine development priorities. Because development plans generally lack comprehensiveness and are far from adequate in other respects, they are not infallible guides to productive use of technical skills. But despite their limitations they are likely to provide the best available indications in a developing country for employing technical skills most efficiently and in accordance with development priorities. When technical skills are allocated in accordance with the requirements of a development plan, it is possible to insure that all phases of the planning process, i.e., data collection, preinvestment studies, plan preparation and plan implementation, receive appropriate proportions of the available supply of technical talent.

Basing technical assistance directly on countries' plans and programmes has manifold advantages. It saves many time-consuming enquiries on the part of those providing technical assistance as to how the assistance asked for fits into the development plans and priorities of the country. [Moreover], . . . basing technical assistance on the clearly stated plans or priorities of the developing country, is the best way and perhaps the only way of making certain that the assistance is provided only at the request of the country and does not reflect sales pressure of the providers.²⁰

It is desirable, therefore, that a central planning agency be closely linked with the co-ordination of foreign technical assistance and training programs. This does not mean, however, that the planners themselves need to co-ordinate technical assistance requests or negotiate with foreign and international providers of such assistance. In fact, it is desirable that planners not be diverted from planning by these operational tasks.

In some countries where a central planning agency co-ordinates foreign technical assistance activities, one or more ministries have been

²⁰ Singer, H. W. *Co-ordination of Technical Assistance and Development Planning: Determination of Priorities*, pp. 13-14.

designated to negotiate with foreign or international supplying agencies. Thus, since 1962, Turkey's State Planning Organization gathers, screens and evaluates requests for technical assistance made by operating organizations. It prepares a co-ordinated technical assistance program consistent with development plans. The Ministries of Finance and Foreign Affairs are then responsible for implementing the program. While this system may work in some countries, it is needlessly complex and tends to lead to bureaucratic duplication and delays. Other countries have incorporated the technical assistance co-ordination and negotiation functions in their central planning agencies but in a separate unit from the one in which the planners work. Thus, Korea's Economic Planning Board is headed by a Minister and a Vice-Minister, assisted by two Assistant Vice-Ministers. One Assistant Vice-Minister is responsible for a Technical Management Bureau concerned with technical assistance activities, while the second supervises the Planning Bureau which prepares development plans.

It is desirable, when it can be done without diverting planners from their own work, that a unit concerned with co-ordination of technical skills be organically linked to a central planning agency to insure that they function in close co-operation. But the fact that the unit concerned with technical assistance co-ordination is within a central planning agency is not enough to insure that it will co-operate closely with the planning unit. In Thailand, for example, when the Office of Thai Technical Economic Cooperation (the unit which co-ordinated technical assistance) was nominally within the National Economic Development Board (the central planning agency), it frequently failed to inform the planners about its activities or to allocate technical assistance in accordance with priorities called for in national development plans. In contrast, Pakistan has an effective organization for co-ordinating technical assistance activities which, although outside the central planning agency, is closely allied with it. Since the operating head of the central planning agency also heads the organization which co-ordinates foreign technical assistance activities, close administrative links between planning and technical assistance co-ordination have been maintained despite the administrative separation of the entities concerned with these functions.

A central entity responsible for co-ordinating and negotiating foreign technical assistance will do well to make full use of the knowledge of those in operating ministries, departments and agencies. These organizations are likely to have more specialized knowledge of their

requirements than the agency concerned with co-ordinating and negotiating foreign technical assistance. It would be desirable, therefore, for operating organizations to participate in negotiations for the specific technical assistance which they require.

Many countries make use of interministry committees for co-ordinating technical assistance activities. These committees may include representatives of the government organizations which use foreign technical assistance, the ministry of finance, the central planning agency and, where considerations of foreign relations are important, the ministry of external affairs. They also constitute a convenient vehicle for consulting with the private sector and seeking its advice and co-operation where this is indicated. For this purpose, private representatives can be invited to attend meetings of the committee as required, or a subcommittee with representatives from the private sector can be constituted to advise the committee on appropriate matters.

In some countries, a committee is used as a co-ordinating mechanism in lieu of a government organization. But the available evidence indicates that a committee, unaided by a strong supporting secretariat, lacks the initiative, flexibility and, often, the authority needed to prepare a co-ordinated program of technical assistance. Such a committee has shown itself equally unable to insure that the necessary measures are taken to carry out the program.²¹ However, where an interministry co-ordinating committee has been employed as an adjunct to a government entity charged with the co-ordination of technical assistance, it has performed an effective advisory and educational role. This has been found to be especially so where the staff of the co-ordinating entity acts as the committee's secretariat.

NEGOTIATING FINANCING

One government entity should also be assigned responsibility for co-ordinating all foreign development financing and for getting the greatest benefits from such funds. It should formulate, for approval by the government, general policies to govern the use of external foreign assistance; it should seek to insure that such assistance is compatible

²¹ Stavrianopoulos, Alexander. *Co-ordination in the Administration of Technical Assistance: The Point of View of a Recipient Country*, p. 6.

with planning objectives; and it should serve as a liaison with foreign lenders and donors, negotiate all external loans and aid, and maintain records relating to the status of all foreign loans and financial assistance.

In many countries these functions are performed by the ministry of finance. But since the central planning agency has to assess the total amount in foreign loans and aid needed, and is in position to judge where these funds can be used most effectively for development, it should participate in negotiations with consortia, consultative groups and other foreign or international lenders and donors when global amounts of foreign financing for development are being considered. Similarly, since the sponsoring ministry or agency is apt to know more about the details of its projects than the ministry of finance, the sponsor should participate in negotiations for the financing of its projects.

In some countries, responsibility for co-ordinating and negotiating foreign aid and loans rests with the central planning agency. This is not an arrangement to be recommended. For while it is essential that a central planning agency help determine the extent of foreign resources required and their distribution for development purposes, it need not be made responsible for actual negotiations for foreign aid and loan agreements and for co-ordinating the use of aid and loan proceeds. In fact, it should not be saddled with these responsibilities because their exercise might interfere with planning activities. The negotiation of foreign aid and loan arrangements and co-ordination of the use of aid and loan proceeds are operational tasks which other government bodies are at least as qualified to perform as a central planning agency. However, where a planning agency has been made responsible for co-ordinating and negotiating foreign aid and loans, these functions should be carried out by a unit separated from the planning unit;²² and in this case the sponsoring ministry or agency should participate in loan negotiations for financing its projects. In addition, the ministry of finance should be consulted and kept informed about the terms of repayment of all foreign loans and other commitments.

Regardless of which agency is responsible for negotiating foreign loans and aid, there must be the closest co-operation between it, the government organizations concerned with the execution of projects and

²² This is done in Korea, for example, where an Economic Cooperation Bureau charged with these functions is independent of the Planning Bureau in the Economic Planning Board.

programs for which foreign funds are to be obtained and other entities involved (be they a central planning agency, a ministry of finance or another organization). Since such co-operation is essential for effective co-ordination of foreign loan and aid activities, it is best institutionalized. For this purpose, a steering committee might be set up, with membership consisting of officials from the ministry of finance, the central planning agency and the ministry, department or agency for whose project or program a loan or aid is being sought. The steering committee should be composed of high officials with authority to speak for their organizations; and its recommendations, while not necessarily binding, should be given great weight by the agency responsible for negotiating loans and aid.

Pakistan has a system for co-ordinating foreign and international loan and aid transactions, as well as requests for foreign technical skills, which works well. All such transactions, as well as the maintenance of records of commitments and disbursements for all loans and aid, are centralized in an Economic Affairs Division, one of five divisions in the President's Secretariat. The Planning Commission is a second division in the Secretariat. Although the Economic Affairs Division functions as a separate entity, effective co-ordination between the two divisions has been established by putting the Economic Affairs Division under the Deputy Chairman, i.e., the operating head of the Planning Commission. As a result of this arrangement, relations between the two agencies are close and harmonious. The Planning Commission is responsible for preparing documents required for negotiating foreign aid, but actual negotiations are carried out by the Economic Affairs Division. The Economic Affairs Division consults with the Ministry of Finance concerning the terms on which foreign loans are to be obtained and provides the Ministry with data on actual commitments as they are made. Operating ministries, knowing that they must move through the Economic Affairs Division to obtain foreign financing for their projects, co-operate by providing data which the division requests.

There are countries where responsibility for making foreign commitments for loans and aid is not centralized in one government body, or where, because administrative discipline is weak, operating ministries and agencies engage in negotiating foreign financing for their projects on their own initiative despite official regulations prohibiting this. In these countries, ministries and agencies vie with each other for foreign funds and no one in the government knows at any time the extent to which the government's credit has been committed abroad. A frequent

form of financing in these circumstances is short-term suppliers' credits. Some countries have accumulated heavy short-run obligations in this way which have put a serious strain on the balance of payments. In Latin America, for example, CIAP²³ found that one of the

main causes for Latin America's difficult short-term debt position . . . [was] the lack of centralized control in most countries over the contracting of foreign debt.²⁴

There are countries where foreign lenders and donors compete so vigorously to furnish loans and aid that economic planning is reduced to little more than an effort to co-ordinate the various assistance programs sponsored by foreigners. This is not easy to accomplish, as experience with the first plans of Afghanistan, Nepal and other countries similarly situated demonstrated. Such countries run the risk that unco-ordinated foreign sponsorship of development programs will yield disappointingly low results for the investments made.

The preferred way of centralizing control over foreign loans and aid is for a government to designate one entity as the only one authorized to negotiate all loans and aid. But the government must then be able and willing to enforce this arrangement. Experience shows that the mere establishment of rules and regulations for centralizing foreign borrowing and assistance has not sufficed to control these activities where administrative discipline is not firmly enforced. In Thailand, for example, the Thai Technical and Economic Cooperation Office (TTEC) has been the agency designated to negotiate with foreign and international lending and aid-giving countries and agencies, but operating ministries have sometimes negotiated for foreign financing of their projects without consulting the TTEC. Where administrative control cannot be enforced effectively, operating ministries and agencies which negotiate with lenders or donors should be required, by law, to obtain the approval of the ministry of finance or another designated entity before the government's credit can be legally committed.

RESPONSIBILITY FOR REGIONAL PLANS

Whether a central planning agency should be responsible for the preparation of regional plans depends on several factors. Among these

²³ The letters stand for the Spanish name of the Inter-American Committee of the Alliance for Progress which co-ordinates the activities of the Alliance.

²⁴ OAS. PAU. *Alliance for Progress, Weekly Newsletter*, p. 1.

are the character of a country's economy, the type of planning in which a country engages, the nature of its government, the country's size, the stage of development in the region concerned and the availability of technicians to staff regional planning agencies. In the socialized economies, where the national plan is divided into a series of republican (and subordinate territorial and local) plans, regional planning bodies are generally charged with the preparation of regional plans and the central planning agency with their integration into the national plan. But the character and scope of the regional plans differ greatly in different countries. In Yugoslavia, regional plans are primarily based on the national plan. But they may deviate from the national plan to the extent that projects and programs outside the national plan can be financed from the regions' own resources. This allows regional planners some independence. But in most Eastern European countries, regional and local planning bodies produce plans which deal mainly with activities of local interest, such as housing, public utilities and production to meet local requirements.²⁵

In the USSR, where regional plans must adhere strictly to the requirements of the national plan, the republic, territorial and local planning bodies act largely as servicing units for the central planning agency. They do this by providing information to the central planning agency and by carrying out its orders. Thus, for each annual plan the planning body of each of the territorial economic councils or *sovnarkhozy*²⁶ obtains from every factory in its area the factory's estimates of what it can produce and the resources required to achieve that production. The planning body of each *sovnarkhoz* reviews, adjusts, consolidates and transmits these estimates to the *gosplan*, or planning body, in its republic. Each of the 15 republican *gosplans* reviews, modifies and aggregates the estimates received from the *sovnarkhozy* in its area on the basis of guidelines provided by the USSR *Gosplan*, estimates how much of the materials required can be supplied from within the republic and how much must be obtained from without, and transmits its estimates to the USSR *Gosplan* in Moscow.

On the basis of these and other data, the USSR *Gosplan* works out a balanced national output and supply plan. When the USSR *Gosplan*

²⁵ UN. Department of Economic and Social Affairs. *Planning for Economic Development, Report of the Secretary-General Transmitting the Study of a Group of Experts*, p. 93.

²⁶ Prior to 1962, there were 103 *sovnarkhozy*. In December 1962, the number was reduced through amalgamation to 47.

has prepared the draft national plan and it has been approved by the Government, the flow is reversed. Orders, subject to some later revision, are then issued to each republican *gosplan* in the form of "control figures" for basic products and resources, such as steel and cement, which also indicate the quantities of various goods each republic may expect from other republics and the quantities it must supply other republics. On the basis of these data, each republic produces a plan which includes a set of directives for each factory indicating what it must produce during the plan period. The territorial councils' planning bodies then draft the plans for their territories, including the total production program, and manpower and other balances.²⁷ Despite tight controls from above, territorial planning agencies allocate many materials in their own areas.²⁸ In fact, retail trade and much consumer goods manufacturing are handled entirely by territorial bodies. The functions of the republican *gosplans* have been greatly broadened in recent years. Before 1957, each republican *gosplan* planned mainly for republican industries producing consumer goods, building materials and timber; now it prepares plans for all industries located wholly within its boundaries.²⁹ The *gosplans* of all but three republics are also responsible for implementing the plans in their areas.

In the mixed-economy countries, regional plans are sometimes prepared by regional planning bodies and sometimes by a central planning agency. Where an autonomous regional development authority has been set up, it is both desirable and usual for it to prepare the plan for its area. Such plans should be integrated into a national plan by the central planning agency. Because regional aspirations are politically potent and competitive, regional plans prepared without reference to national plans pose a great threat to orderly national progress in many less developed countries. It is, therefore, important that they be formulated whenever possible as part of a national development plan.

But in most countries with mixed economies, regional planning has proceeded independently of national planning, with the result that a series of unintegrated regional plans has sometimes been produced, based on regional aspirations rather than on available resources. In

²⁷ Bond, Floyd A. "The Nature and Goals of Soviet Planning," p. 6.

²⁸ Besides being subject to control by republican and national bodies, as well as political authorities in their own territories, territorial planning bodies have been grouped into 18 major regions for co-ordination purposes.

²⁹ UN. Department of Economic and Social Affairs. *Planning for Economic Development, Report of the Secretary-General Transmitting the Study of a Group of Experts*, p. 91.

Colombia, for example, several competitive regional plans were prepared in quick succession between 1954 and 1957, some by regional planning bodies and others by the central planning agency itself. Their total investment requirements were so obviously beyond available resources that the plans could not be taken seriously for long even by their own sponsors.³⁰

Most Indian states also prepare plans but inadequate co-ordination of the plans often leads to wasteful duplication and anomalies.³¹ Although the Plan Organization of Iran has initiated most regional planning in that country, regional planning efforts have not been integrated with national development plans prepared by the Plan Organization. Moreover, there has been little co-ordination between the Plan Organization's investments in a region and resources allocated to the same region by other government organizations. In Khuzistan, for example, while the Plan Organization allocated almost 20 per cent of its investment resources, other government entities like the Ministries of Agriculture, Education, Health and Communication and the Agricultural Credit Bank allocated less than 1 or 2 per cent of their smaller resources for basic services needed to complement these investments.³²

In a mixed-economy country with a federal system of government, regional plans are generally prepared by planning bodies in the political subdivisions concerned. These plans are generally limited to activities for which the political subdivisions have responsibility and exclude projects and programs which the central government undertakes in the regions. The regional plans are then more or less integrated with the national plan by a central planning agency. This system has been used in India and Nigeria. In contrast, the regional components in Pakistan's First Five Year Plan and, to a somewhat lesser extent, its Second Five Year Plan, were largely prepared by the central planning agency in Karachi. But this was recognized to be undesirable in a country with two Provinces separated by more than a thousand miles. As part of a general move in Pakistan toward decentralization of government functions, regional plans are now expected to be prepared increasingly by the regional planning agencies in East and West Pakistan. The central

³⁰ The financial resources required to meet investment goals in regional plans covering about one-tenth of the country's area were greater than those available to the entire country.

³¹ Chatterji, Manas. "Regional Economic Planning," p. 553.

³² Iran. Plan Organization. *Review of the Second Seven Year Plan Program of Iran*, p. 113.

planning agency is to be mostly concerned with consolidating the regional plans into a coherent national plan.

But in many countries, regional plans continue to be prepared and executed by a central planning agency. This is especially true in countries with unitary governments, as well as with federal governments where (as in Mexico) executive power is nevertheless centralized; where the country is too small to support a series of planning agencies; where there is a shortage of planners; or where a region is too backward to initiate or carry out its own development. In some cases, for example, where a region is backward or lacks enough trained planners, there may be no alternative to having the central planning agency prepare a regional plan. But as a general principle, it is preferable to have a regional plan prepared and implemented by the people most concerned, i.e., those in the region. Where a regional plan is prepared by a central planning agency, it frequently comes to naught since the plan comes from outside the region. The experience in Colombia, Israel, Mexico and elsewhere suggests that the greatest successes in regional planning are obtained when local interest and initiative are harnessed to formulate and execute the regional plan and not when it originates in and its execution is controlled from a distant capital.

This has been found to be true even when new regions are opened up to settlement. In the Guayana Region of Venezuela, for example, where residents are almost all new settlers, the planners in the *Corporación Venezolana de Guayana* (the autonomous regional authority created by the National Government) in Caracas, the capital, are sometimes looked upon by those in the Region as outsiders seeking to impose their plans on the Region. The *Corporación* recognizes that it should have its headquarters in the Region and plans to move there when adequate housing for its staff and other facilities become available. This problem has been avoided in Israel because the Government has started the development of each new region with the construction of basic facilities for the staff of the regional authority, whose members become the first settlers of the region.

RESPONSIBILITY FOR PROJECTS AND PROGRAMS

It is generally accepted that each operating ministry, department or agency has prime responsibility for (1) formulating individual public investment projects (determining their technical feasibility, preparing

engineering and other project studies, estimating costs, benefits and schedules of construction, etc.), (2) combining them into a series of related projects with fixed priorities to form an integrated program in accordance with development objectives for the segment of the economy with which the operating agency is concerned, (3) carrying out the projects and programs or supervising their execution, and (4) making periodic reviews and reports on their progress. It is logical that these responsibilities should reside with operating ministries and agencies because in most countries they are the depositories of most of the specialized, technical and administrative knowledge and have the greatest practical experience with actual problems in their fields of operation.³³

Operating ministries and agencies also may have close contacts with the private sector because they issue licenses for new ventures, permits for importing machinery, equipment and raw materials, approve financing arrangements, or exercise other regulatory functions. In the process of carrying out their duties, these ministries and agencies not only implement a government's economic policies, but accumulate a considerable amount of information concerning private investment programs. They are therefore also apt to be in the best position to estimate private investment for the parts of the economy in which they operate.

The projects, subsector and sector programs prepared by the various operating ministries and agencies have to be integrated into the over-all plan. This is a task for a central planning agency. Ideally, the process proceeds as follows:

Early in the planning cycle, the central planning agency prepares for the appropriate government authorities an analysis in outline indicating the main policy alternatives available to give effect to the plan objectives previously selected by the authorities.

The core of such an outline should be a table of resources, and the alternative uses of these resources, indicating in each case the contribution to the national income and foreign exchange resources, the extent to which investable resources would be available for the subsequent plan, impact on the distribution of income, expansion of employment, improvements in per capita and total consumption, etc.³⁴

³³ United Nations Center for Industrial Development. *Organizational Aspects of Planning*, p. 41.

³⁴ *Ibid.*, p. 45.

After the authorities have chosen the specific set of policies which is to govern the development plan, the central planners can prepare instructions, within the framework of the selected objectives and policies, which set standards for the operating ministries and agencies to follow in preparing their programs; or, they may first prepare a "plan frame," i.e., a general outline of the proposed development plan, based on the accepted objectives and policies. When the authorities have approved the plan frame, it can provide a broader foundation than objectives and policies alone for the instructions which are to guide operating ministries and agencies in preparing their programs.

The main purpose of these instructions is to get the operating ministries and agencies to select and prepare projects and programs in a reasonably complete and consistent manner in accord with a fixed timetable. This is important for facilitating the task of integrating projects and programs into an internally consistent development plan, as well as for providing the operating organizations themselves with data they need to operate efficiently. In many countries, projects and programs are put together haphazardly and without a common basis. In Spain, for example, a World Bank survey mission found

the lack of such a common basis . . . has been most marked, with different ministries often preparing plans on quite different assumptions.³⁵

The instructions should call for estimates for each project of the total cost and the proposed rates of disbursements each year during construction in terms of national and foreign currencies; proposed sources of financing; the time schedule; manpower, materials, and machinery and equipment requirements; the extent to which the project is to be carried out by the operating ministry or agency itself and by contractors; the need for outside engineering or other technical assistance; the conditions and personnel required, training programs to be conducted and other steps to be taken to provide for operating the completed project; the financial and economic benefits which are to be realized from the project, including its impact on domestic production, employment and foreign trade. The instructions should also detail the criteria for assigning priorities to projects and for combining them into a unified program.

The instructions must be prepared and transmitted to the operating ministries and agencies far enough in advance to permit them to

³⁵ IBRD. *Economic Development of Spain*, p. 69.

prepare and submit projects and programs in time for review and incorporation into the over-all plan. For a medium-term plan, 18 months is not too much time; for an annual plan, six months should be sufficient.

The instructions to each operating ministry or agency must be accompanied by an indication of the total resources to be made available for its program. The allocation may be a fixed amount or it may be a range, with minimum and maximum amounts dependent on specified circumstances. It is important that each operating organization knows precisely the financial and other limits to which its program must conform. Otherwise, demand may outstrip available resources. This happened in India when the Second Five-Year Plan was being prepared, with unhappy results.

The lower echelons in the planning process [i.e., ministries and states] were not given any clues as to the total resources which would be available to them and the effect was that, generally speaking, the demand on resources was something like three times the available supply. It was then necessary to cut back and eliminate projects. Not only was this bad from the standpoint of morale, but it also tended to result in decisions based on isolated projects without paying sufficient attention to the balance between government programs and the emphasis desired. The global view required from the central government and from the Planning Commission was lost sight of.³⁶

When the operating ministries, departments, agencies or other entities complete their programs, they must be sent to the central planning agency. There they must be reviewed to determine whether they are consistent with each other and with the proposed rate of development and to see that the combined demand of the public and private sectors does not make excessive claims on national and foreign exchange funds, manpower and other real resources, and on the administrative capacity of the country. If, as is generally the case, some programs have to be reduced, increased or otherwise changed to reconcile conflicting claims, the adjustments must be made by the central planning agency in close collaboration with the operating organizations concerned. Where differences arise which cannot be settled by discussion between the central planning agency and operating organizations, they must be submitted to higher authority for decision. The cycle of consultations,

³⁶ Mayne, Alvin. *Perspective Planning in India*, p. 24.

decisions by government authorities and reworking of the draft plan (by the "planning-from-above" and "planning-from-below" techniques previously described) usually has to be repeated several times. Through a series of successively more detailed and specific approximations, the plan evolves toward its final form. When the process has been completed, the draft plan is ready to be transmitted to the government for its consideration and adoption.

The system described in the last half-dozen paragraphs, with its clear-cut division of responsibilities, may work as it is supposed to in a few developed countries. But in the less developed nations, it does not. In these countries, organizations usually do not have personnel qualified to initiate good projects and prepare them well, let alone combine them into coherent programs based on a rational analysis of costs and benefits. It may be all right to leave project preparation to operating ministries and agencies in advanced countries. But is this feasible in less developed nations? In the circumstances which actually confront them in most less developed countries, planners ask themselves:

What can be done to avoid undue priority being given to big, showy, spectacular projects as against the scattered, inconspicuous, yet possibly very important projects? Should those responsible for formulating a development programme play a direct part in the formulation of projects, should they leave this to people in the various government departments, or should there be a combination of the two? Which is the best way for economists and technicians to cooperate in the formulation of development projects, and in measuring costs and benefits? How does one best insure that those preparing development projects in one department are aware of related projects under study in other departments, so that proper 'packages' can be formed?³⁷

Under pressure to produce a development plan in a reasonable period of time, planners have generally taken the position that the political and administrative obstacles in the way of reforming operating organizations and building up their capability to prepare sound projects and programs are too difficult to overcome in the time usually available for preparing an over-all plan. When organized planning begins in most less developed countries, therefore, it is common practice for the central planning agency to take over some of the work of

³⁷ UN, ECA. *Problems Concerning Techniques of Development Programming in African Countries*, p. 95.

initiating, preparing, evaluating and even executing public investment projects, as well as the job of preparing private and public sector programs.

When Pakistan's First Five Year Plan was being prepared, for instance, the central planning agency considered it essential that it participate actively in the preparation, evaluation and choice of public investment projects for the Plan, because many of the projects submitted by operating ministries were not supported by a proper appraisal of their technical feasibility, real costs and benefits or the administrative and technical arrangements required for their implementation. Moreover, since there were also many important fields where no projects had been submitted, the central planners felt it necessary to fill some gaps with proposals of their own. The central planning agency realized that this was not the ideal way for it to operate. It would have preferred to leave the choice and preparation of projects to operating organizations. But others felt that the Planning Board, the central planning agency at that time, had not gone far enough. This made it necessary for the President of the Pakistan Economic Association to explain why the Board could not have gone further:

It has been suggested in certain quarters that more schemes if needed should have been prepared by the Board. This view is based on a misunderstanding of the functions of a Central Planning Organisation and the strength and composition of its staff. If schemes were to be prepared by the Central Planning Organisation it would have to develop a substitute for the entire development organisation of the Central and Provincial Governments. It would lead to a duplication of technical and administrative staff which our personnel resources would not permit. It would end in a complete separation of the staff responsible for detailed planning from the staff engaged on execution, a separation which is possible neither in theory nor in practice.³⁸

In Iran, Iraq and Jordan, this separation was avoided, but as events were to show, in a most unsatisfactory way: the central planning agencies in these countries not only initiated and prepared projects; they also carried them out without the participation of the ministries.

³⁸ Pakistan. Planning Board. *Report of the Special Conference of Economists of East Pakistan on the Draft Five-Year Plan and Connected Papers*, p. 7. Address delivered by Zahid Husain, President, Pakistan Economic Association, at a Special Conference held to consider the First Five Year Plan, Dacca, August 24, 1956.

They did this against the advice of their advisers.³⁹ Overseas Consultants, Inc., which the Iranian Government had engaged, had advised in 1949

that existing agencies of the Government should be utilized for the execution of the Plan projects in preference to creating new Government of Plan agencies for the purpose. . . .⁴⁰

This was also Lord Salter's advice to Iraq in 1955. He foresaw that the administrative burden would be too great for Iraq's Development Board if it tried to execute projects. And it was also the advice of the International Bank survey mission to Jordan in 1955:

Save in exceptional circumstances the Development Board should not itself undertake the execution of development projects but should entrust them to the established Government agencies. . . .⁴¹

The assumption of project preparation or executive functions by a central planning agency is usually justified as a provisional expedient until the situation in the operating organizations can be improved sufficiently to permit them to perform their normal functions. But once a central planning agency assumes these responsibilities, it becomes increasingly difficult to relinquish them. As time passes, the staff of the central planning agency, often assisted by foreign technicians, becomes more expert in initiating, preparing and evaluating projects and programs, while the operating organizations remain as inept as ever. They may even worsen, as they did in Iran, because in that country the best technicians in the ministries left to join the central planning agency, the Plan Organization, where salaries, working conditions and the very functions which it took over from the ministries made it much more attractive than the ministries as a place of work. Another result of the exodus of technicians was that the ministries were less able than before to administer and maintain the completed projects which the Plan Organization turned over to them. When the Plan Organization was finally forced to relinquish responsibility for project preparation and

³⁹ Rose, E. Michael. *Some Political and Administrative Problems of Economic Development in the Middle East*, p. 7.

⁴⁰ Overseas Consultants, Inc. *Report on Seven-Year Development Plan for the Plan Organisation of the Imperial Government of Iran*, Vol. V, p. 10. Similar advice was given by other advisers: Harwood, Wilson R. *Advice to the Plan Organisation of Iran, 1956-1961*, p. 17.

⁴¹ IBRD. *Economic Development of Jordan*, p. 429.

execution to the ministries, they were ill-equipped to assume the responsibility.

When a central planning agency takes over some responsibility for projects and programs, friction between it and operating ministries and agencies almost invariably follows. Understandably, operating organizations prefer to prepare their own projects and programs. They therefore tend to resist carrying out projects and programs prepared by an outside authority.

Training Institutes

When a central planning agency takes over responsibility for projects and programs, it may have sincere intentions of training persons in operating organizations to assume full responsibility for projects and programs eventually. But it almost never works out as expected because the central planning agency has more work than it can do when it must concern itself with projects and programs in addition to preparing aggregative plans. Indeed, the time-consuming tasks of project selection, preparation and evaluation often prevent central planning agencies from concentrating on the assessment of total resources, the selection of alternative patterns of investment, the formulation of policy proposals and the conduct of other activities which are more appropriate to a central planning agency. Thus, the central planning agency is too overburdened usually to conduct training programs outside its own confines. Moreover, since operating ministries and agencies tend to look with suspicion on a planning agency which has usurped functions they consider their own, they have not generally been amenable to training activities conducted by central planners. These reasons account for the fact that in Iran, for example, the central planning agency could make no real attempt to strengthen the ability of operating ministries to handle project preparation and execution, although it was foreseen several years in advance of the event that responsibility for these tasks would have to be turned over to the ministries.

To meet the need for training staffs in ministries and other parts of government, the United Arab Republic, Venezuela, Spain, Greece and some other countries have established semiautonomous government institutes for conducting research in planning and for training planning and programing personnel. These institutes perform a much needed and frequently neglected research and training function. Since they are

oriented to operational problems, they do not duplicate the more general educational facilities in academic institutions. As semi-independent entities dedicated to development planning, but free from the suspicion with which operating organizations often view central planning agencies, they are in a much better position than a central planning agency to bring programming practices in operating ministries and agencies into line with the requirements of aggregative planning.⁴² Their ability to do this can be considerably bolstered if foreign technical assistance for planning is assigned, to the extent feasible, to them (instead of to a central planning agency or to operating organizations) to be used as appropriate, perhaps interchangeably, either in a central planning agency to help prepare plans or in operating organizations to help prepare and execute projects and programs. Among other advantages, assignment of foreign technical advisers to an institute provides a degree of flexibility in making full use of foreign technicians which is not possible otherwise.

Where an institute trains the staffs of operating organizations in programming techniques, it is unnecessary for a central planning agency to get involved in project and program preparation which, on the one hand, interferes with its own planning work and, on the other hand, arouses suspicions in operating organizations that the central planning agency is seeking to meddle in operations. An institute can also serve other purposes. It can, for example, use its good offices to reconcile differences between the central planning agency and operating organizations. It can also supervise the rationalization of current investment through the taking of a public investment inventory as described in an earlier chapter. Furthermore, by combining this task with a training program for those participating in the exercise, it can provide on-the-job training for operating personnel in programming techniques. There is, therefore, much to be said for having a training institute work with planning and operating personnel from the very inception of the planning process in a country. If domestic technicians were largely concentrated in the operating organizations of government and trained in programming techniques while on the job, central planners could safely leave the preparation of projects and programs to them while they turned their attention to the preparation of over-all plans.

⁴² This is not true, of course, where an institute takes over planning functions. This happened in Greece when the Centre of Economic Planning and Research, a quasi-government body controlled by the Minister of Co-ordination, was made responsible for preparing national plans.

For a training institute to be effective in these varied activities requires that it enjoy the confidence of the central planning agency and operating organizations. Its director would have to have access to the chief executive and command the respect of ministers and other high officials. These things imply that the institute would have to be sponsored by, and be under the direction of, the highest governmental authority. It would, in most countries, also require foreign consultants capable of acting as advisers and teachers to both the central planners and the ministries.

Interministry Project Review Committees

The "planning-from-below" process essential to good planning requires that projects and programs be reviewed to insure their consistency with plan objectives, policies and targets. This requires a central planning agency to correlate the various projects and programs, scrutinize them for consistency with each other and a national plan, and relate them to available foreign exchange and other resources. But since operating organizations in few less developed countries prepare projects well, central planning agencies in these countries correctly believe it is indispensable to review in detail the projects which operating ministries and agencies submit. But where a planning agency attempts this review, it often ends up with much the same work and frictions as if it had taken over the initiation and preparation of projects in the first place.

Because of this, a central planning agency should not itself conduct the review. Experience shows that better results are obtainable with interministry committees whose members represent all interested parties. Such committees have been employed in several countries. In Pakistan, for example, "Development Working Parties" in the Central and Provincial Governments have evolved into reasonably effective media for reviewing projects to be included in Pakistan's medium-term and annual development plans. The Central Development Working Party's emphasis on adequate technical and other preparation before a project is approved for inclusion in development plans and the annual budget has had a salutary influence on the preparation of projects and programs by sponsoring bodies. Since the Deputy Chairman (i.e., the operating head) of the central planning agency is the presiding officer of the Central Development Working Party, the planning agency is able to assure itself that projects and programs conform to plan requirements.

It is essential that these interministry review committees be provided with secretariats of their own to examine and report to committee members on projects submitted by operating organizations in accordance with appropriate criteria. In Pakistan, the central planning agency acts as the secretariat of the Central Development Working Party. As a result, the central planning agency's staff has to devote time and effort to detailed project review which should be given to broader aspects of planning.

CO-ORDINATING PLAN IMPLEMENTATION

As an Advisory Function

As indicated in Chapter IX, the periodic progress reports on individual projects and programs, which operating ministries and agencies prepare, should be combined into a consolidated report for the head of government, the cabinet, the planning committee of the cabinet (if there is such a committee), the legislature, the public or a combination of these. The report should evaluate the progress made in fulfilling plan targets, anticipate or identify deviations and bottlenecks and suggest appropriate compensatory action or, if necessary, revision of targets or the plan. To obtain complete and timely information from operating organizations on a regular schedule, appropriate reporting forms have to be devised and formal reporting procedures for operating organizations to follow have to be established. These tasks, as well as the preparation of the consolidated progress report, are generally performed by a central planning agency. There are some, it is true, who think that planners should not evaluate their own plan. They believe that planners will find it hard to be objective, and that they will tend to blame failures on operating organizations instead of on their own errors of judgment in formulating the plan. This danger may exist, but it must be risked. If the central planning agency is to prepare realistic annual plans and propose adjustments of medium-term plans in the light of experience during their implementation, it must be allowed to review and evaluate the progress of implementation.

Moreover, a central planning agency's right to review, report and make recommendations on the progress of national plans conforms with a generally accepted principle that it has as important an advisory role in plan implementation as it has in plan formulation. This role is by no means limited to giving advice only to the heads of government.

Since good planning requires co-ordinated action by almost all parts of government, the central planning agency should maintain close and continual contacts with various government ministries and agencies, as well as with private organizations, and it should advise them on the execution of their development projects and programs. It should also advise those concerned with the formulation of monetary, credit, fiscal, foreign exchange, trade, price and other financial and economic policies, and advise on the reconciliation of conflicting policies to insure that, individually and collectively, they further the achievement of development goals.

Few would deny, at least in theory, the legitimacy of these advisory functions for a central planning agency although, in practice, most planning agencies do not exercise them as frequently or as completely as effective planning requires. But since a central planning agency is naturally deeply concerned that plans it has prepared be implemented properly and is, besides, more informed than any other government body about what needs to be done, a question arises whether it is also not the best organization to supervise, control, police or expedite the execution of plans.

As an Executive Function

This question has been answered in different ways. At one extreme, the central planning agency in some countries has not been permitted to intervene operationally in any way in implementing plans. This is not always because the planning agency is weak. In Yugoslavia, for example, where the central planning agency is important in the government process, plan implementation has been virtually divorced from plan formulation since the early 1950's. The Yugoslav Federal Planning Institute has only an advisory role with regard to both plan formulation and implementation. This is also true of the French Commissariat Général du Plan. At the other extreme, as has been seen, the central planning agency in a few countries, of which Iran and Iraq are examples, has not only formulated plans, but has then carried them out.

Between these opposites are many variations. In Mexico, the staff of the central planning agency makes periodic visits to construction sites to check on the progress of projects being carried out by operating organizations. The results of these inspections are discussed with the operating organization concerned and necessary action is agreed upon,

sometimes on the spot. Operating organizations are undoubtedly stimulated to take the planners' advice because they know that the central planning agency's approval is necessary before the Ministry of Finance will include an appropriation for a project in the annual budget and because the planning agency reports its findings to the President of the Republic.

The Indian Planning Commission, although considered an advisory body, has exercised a series of important executory functions, notably in the fields of public co-operation works, water supply, rural works and rural industrialization. Moreover, it has involved itself frequently in the formulation of public policies, as well as in other than development matters.⁴³ It has frequently prodded state governments and operating ministries and agencies in the Central Government to get things done and has gone beyond suggestion to discourage them from wasting resources on nonessentials. It has, in fact, gone so far at times that a wrong impression was created that it was the Planning Commission's responsibility to insure the implementation of development plans.⁴⁴ Because experience with the execution of the Third Plan has not been happy, individuals in the Government have indicated a desire to redefine the scope of the Planning Commission's authority and to divest it of some of its controversial policy-making and executory functions.

Central planning agencies in other countries enter into operational activities in varying degrees. For example, the Venezuelan central planning agency initiated a program for establishing seven automotive assembly plants, as well as plants for the manufacture of automotive parts, and carried out the program over a two-year period before turning it over to a ministry. In the USSR, central planning agencies are nominally advisory bodies, but in practice they have been given many executive duties. Thus, recent reorganization of Soviet planning machinery entailed a considerable increase in the executive functions of the USSR *Gosplan*, the agency in charge of annual plans. But in other socialized countries, notably in Poland and Czechoslovakia, organiza-

⁴³ Gadgil, D. R. *Planning and Economic Policy in India*, p. 107.

⁴⁴ See, for example, comment to this effect by Dr. V. K. R. V. Rao, Member of the Planning Commission, *Economic Times*, November 10, 1963. Mr. T. T. Kirshnamachari, India's Finance Minister, also has "expressed serious concern over the growing tendency on the part of the Planning Commission to indulge in executive responsibility and day-to-day decisions of the Government instead of concentrating on specialization in the techniques of planning and the vital task of improving its efficiency." (*Bank of Baroda Weekly Review*, April 24, 1964, p. 1.)

tional reforms have shown a pronounced tendency toward reducing or completely eliminating operational functions formerly exercised by central planning agencies.

Control over plan implementation requires crucial choices to be made among alternative policies, as well as the issuance of directives to operating organizations for action to be taken or avoided in order to carry out policy and other decisions. Since ministers and heads of agencies are not likely to accept directives from their equals or subordinates, supervision over plan execution must, ultimately, reside at the highest government level. This is as true in the mixed economies as in the socialized countries. In the USSR, the Council of Ministers is responsible for co-ordinating execution of the plan; in the mixed economies, it may be the chief executive, a cabinet or a top-level committee of the cabinet.

Authority to co-ordinate plan implementation, in the sense of directing operating organizations to take action, can rarely be effectively delegated to a ministry, a planning agency or other body at a lower government level. When the matter of creating an all-powerful implementation agency was being discussed in the Philippines, one former member of the National Economic Council, the central planning agency, correctly pointed out why it was impossible to separate the President from the implementation of plans:

We must not forget that under the Constitution the executive power is vested in the President of the Philippines. But, even without having to resort to the Constitution, from the political point of view I cannot see how it would be possible in the Philippines to create a powerful Economic Council that would supervise the implementation by the President and his Cabinet of those portions of the economic policies and plans entrusted to their respective jurisdiction. Proposals, made from time to time in the Philippines, for a so-called Economic Czar, if this function is to be vested in an official other than the President, are unrealistic, even if limited to the implementation of economic plans. Only the President, and no other, could exercise the power of an Economic Czar in the Philippines, and see to it that economic policies adopted by Congress or by the Council, within the limits of an enabling act, were carried out by the different departments, offices and agencies of the Executive Departments.⁴⁵

⁴⁵ Araneta, Salvador. "The Planning, Approval and Implementation of Economic Policy," p. 141.

The chief executive or cabinet may have a secretariat or may designate a central planning agency or other body to operate as a secretariat in issuing instructions to, or in dealing with, other parts of government. But it must be clear that the secretariat or other body is acting in behalf of the chief executive or the cabinet, not on its own prerogative. When, for instance, the Prime Minister was in direct charge of Jamaica's Central Planning Unit, instructions to operating organizations on matters concerning implementation of development plans were drafted in the planning agency, but were transmitted to operating ministries and agencies as communications of the Prime Minister—not of the Central Planning Unit. In Chile, also, the central planning agency⁴⁶ was the secretariat for an interministerial commission (*Cómite de Programación Económica y de Reconstrucción* or *COPEPERE*) established to supervise execution of the country's Ten-Year Development Plan. Responsibility for supervising and expediting the execution of development plans in Malaya rests with a Ministry of Rural Development. The Ministry has several operating departments dealing with surveying, mining, land development and the promotion of rural industry. But its most important function is to co-ordinate and expedite plan implementation. However, since the Deputy Prime Minister (who, as the country's chief planning authority, has charge of an Economic Planning Unit which formulates development plans) holds the Ministry's portfolio, the Ministry is, in effect, his secretariat for supervising execution of plans. Indeed, the Ministry's considerable effectiveness is largely due to the fact that its officials speak in the name of the Deputy Prime Minister.

Some experts feel that a central planning agency which has only advisory functions is unlikely to be effective. Thus, one expert has contended:

The body that formulates an over-all development programme cannot be fully effective if it is merely in an advisory position without executive functions and without influence on the planning activities of individual government departments.⁴⁷

These experts believe that a planning agency without executive functions will not even be able to get essential data for operating agencies. They have no difficulty finding examples of planning agencies without

⁴⁶ More precisely, the Planning Department of CORFO, the Government's development corporation.

⁴⁷ Meier, G. M. *Role of an Expert Advisory Group in a Young Government*, p. 10.

executive power which have been unable to get planning data through official channels and which have had to rely on personal contacts in other parts of government to get information. And they can give other examples to show that if, for instance, a planning agency allocates funds, prepares the capital budget or has power to withhold approval of projects or programs, it is apt to get the information it needs as a by-product of its authority. This state of affairs may explain, at least partially, why many planners endeavor to obtain operational responsibilities.

There is no denying that in the circumstances prevailing in many countries, a central planning agency with executive powers is apt to be in a stronger position than one with only advisory functions when it seeks the co-operation of operating organizations. But those who advocate executive powers for planning agencies on this account forget that it is the responsibility of the heads of government, not the central planning agency, to enforce the discipline of a plan. If political leaders are committed to a plan, the requests and advice of a central planning agency will be respected; if heads of government lack commitment, executive powers which a central planning agency may have will not prevent operating organizations, or the heads of government themselves, from exerting bureaucratic or political pressures to which the planning agency will usually have to yield. The history of planning is replete with examples of political projects outside existing plans which planning agencies, theoretically empowered to turn them down, reluctantly approved. There are, of course, many instances where a central planning agency has withheld its executive approval for wasteful projects which might otherwise have gone forward. But if they were important to the operating organization concerned, the planning agency's disapproval was more likely to prevail because of the support of the government leadership than because of the executive powers of the planning agency. In most countries, the crucial factor is the extent to which heads of government are willing to support a central planning agency, not whether it has executive or advisory powers.

Separate Implementing Agencies

While some who favor executive powers for a central planning agency believe that it should be responsible for implementing plans, others advocate that an autonomous body be set up for this purpose.

They contend that plan formulation, as an advisory function, is incompatible with the executive responsibilities inherent in co-ordinating implementation of plans. They feel that planners cannot have it both ways. If they get involved in operations, frictions are likely to be generated which will hamper co-operation with operating organizations needed for effective preparation of plans. They say that the job of preparing and keeping plans up to date is difficult enough and if executory supervision over plan realization is added, the job becomes too difficult for one agency to manage. Moreover, the skills required for executing plans differ greatly from those needed by planning advisers and good planners are not always good executors. Where planners get involved in daily operational activities, such as reviewing and approving projects and inspecting work under way, or even reporting on the progress of the plan, broader planning activities may be crowded out.

For a time, this view prevailed in Pakistan. It led to the establishment of an autonomous Projects Division with authority to follow up and report on the execution of projects, measure performance against estimates, identify causes of delays in implementing projects and propose appropriate corrective action. But the Projects Division did not work well. It was supposed to collaborate closely with the central planning agency, but both agencies tended to act as though their functions were unrelated to the other and neither made the necessary effort to insure constant co-operation. As a result, the central planning agency was sometimes without information which the Projects Division had on the progress of plan implementation.

The Projects Division also found it difficult to get the co-operation of operating organizations, which often saw the division's activity as an intrusion on their own fields of operation. Government dissatisfaction with the Division led to its abolition and the transfer of its staff to the central planning agency. But the method of operation remained unchanged, as did most of the problems which had led to the Projects Division's termination. Eventually, therefore, a new solution was sought. The expediting function was transferred to the East and West Pakistan Planning and Development Departments. But since experience had shown that the preparation of effective plans could not be divorced from review and evaluation of their implementation, the central planning agency took over and has since retained these responsibilities.

Because the Burmese Government believed at one time that one

agency could not successfully formulate plans and supervise their implementation, Burma also separated the two functions. A Ministry of National Planning was charged with preparing plans while an Economic and Social Board was put in charge of expediting.

In practice, however, it was found difficult to secure such a rigid separation of functions. In particular, the line of demarcation of activities of the Planning Ministry and the Economic and Social Board often became blurred so as to require a constant re-demarcation of responsibilities. It was also found that more or less the same group of people was sitting on the working committees of both the Ministry of National Planning and the Economic and Social Board, thereby impairing the original principle that those who do the planning work should not be charged with the supervision of the execution of the plans.

Apart from the confusion on the part of other agencies of the Government as to which of the twin economic bodies, namely, the Planning Ministry or the Economic and Social Board, they should approach or deal with on certain matters, there was also a certain amount of duplication of work between the Planning Ministry and the Economic and Social Board.⁴⁸

As a result of these difficulties, the two organizations were eventually merged into a National Planning Commission. Later, because plan implementation continued to lag, the idea of having a separate supervisory body was revived in the form of a Standing Committee for Supervision and Coordination.⁴⁹ But the Committee, which consisted of high-ranking civil servants, proved to be ineffective because its members did not have the status to intervene against politically powerful ministers who were sponsoring projects.⁵⁰

Ghana also established separate organizations for drafting and supervising the implementation of plans. A National Planning Commission was charged with producing plans and a State Control Commission, more recently a State Planning Committee, was responsible for controlling execution. But the use of a separate body to co-ordinate plan execution was not more successful in Ghana than in other countries. In December 1963, Korea established an Office of Planning and Control under the Prime Minister to co-ordinate the formulation

⁴⁸ Thet Tun, U. *A Review of Economic Planning in Burma*, p. 50.

⁴⁹ United Nations Conference on the Application of Science and Technology, etc. *Organization of Planning Machinery: Lessons from Burmese Experience*, pp. 10–11.

⁵⁰ Walinsky, Louis J. "Burma," p. 48.

and implementation of plans and review and evaluate progress of plans and programs. It remains to be seen whether this organization will be more successful than others have been.

A special organization created to oversee plan implementation often has the effect of reducing the status of a central planning agency. This has been evident in the Philippines, where a Program Implementation Agency (PIA) was set up to expedite the execution of that country's development plan. The PIA soon became the real focal point of the Government's development activities, pushing the already weak National Economic Council (NEC) further into the background. More recently, however, the PIA lost many of its best personnel. Consequently, the outlook for the agency is less bright than at its beginning. But as long as PIA exists, it casts a shadow on NEC's standing as a central planning agency.

A similar situation has prevailed in Thailand. In that country, a Ministry of National Development was established in 1963 with powers to oversee the implementation of the major public works projects in the plan. The Ministry was formed with departments transferred from ministries which together accounted for 60 to 70 per cent of total public investment. Not only was the role and status of the central planning agency put in doubt by the creation of the new Ministry; the loss of their most important operating departments left several ministries with greatly reduced responsibilities.

In a well-ordered government, there is no need for a specially constituted entity to expedite plan implementation. The chief executive, cabinet or high-level cabinet committee is the only overseer needed. The central planning agency, through regular economic analyses and evaluations of plan progress provides information and recommendations on the basis of which the political leadership can choose between available alternatives. When decisions are made and communicated to the appropriate ministers and heads of agencies for action, these executives are held accountable for the results.

In governments which lack internal discipline, it becomes all the more important that political leaders retain responsibility for seeing to it that development plans are carried out since a subordinate body is unlikely to accomplish what the heads of government can. But it is precisely these governments which usually resort to subordinate expediting bodies. The creation of a separate autonomous body to follow up on plan implementation is often an indication that the heads of government are not themselves ready to assume responsibility for co-

ordinating the implementation of their development plan. The prospects for its successful implementation are therefore reduced.

If a government considers it necessary to have a separate organization to co-ordinate development operations, the least objectionable choice is a central planning agency. If a central planning agency does the co-ordinating, it at least eliminates the need for yet another organization and obviates the problem of insuring close co-operation between the planning and implementing agencies. Since the effectiveness of a plan depends, ultimately, on the ability to implement it, fusion of the planning and supervisory functions may also lead to improved plan formulation by bringing planners closer to problems encountered in implementing plans. Furthermore, use of a planning agency to expedite plan execution involves a pragmatic recognition that in most countries, undesirable though it may be in theory, central planning agencies concern themselves to some degree in executory activities to influence implementation.

The main objections against having a planning agency oversee the implementation of plans can be overcome. If the staff in the planning agency dealing with the operational task of plan co-ordination is organized separately from the staff engaged in plan formulation, review and revision, the dangers of confusing advisory and operational responsibilities are minimized.⁵¹ In Tunisia, for example, the development planning portion of the Secretariat of State for Planning and Finance is divided into two sections: a Planning Office, responsible for formulating plans, and an Office of Plan Control, responsible for supervising and co-ordinating plan execution.

If the planning agency carries out its co-ordinative functions in the name of the chief executive, the cabinet or a cabinet committee, it becomes as it should, a secretariat for the person or group with prime responsibility for surveillance over the execution of plans. But it is of the utmost importance that the planning agency not act on its own prerogative. As Barbara Ward pointed out in her account of the Indian situation, the extent to which one government department—in the Indian case, the Planning Commission—can prod another is limited. One wonders, she asked,

⁵¹ It is well to recognize, however, that partly because of shortages of trained personnel and partly because planners usually like to get involved in operations, this division of responsibilities is hard to achieve and is, in fact, almost never made when a central planning agency assumes executive functions.

whether a sub-committee of the cabinet or some other high-level body reporting directly to the Prime Minister should not undertake the responsibility of seeing, month-by-month, that planned development is going forward at a coherent pace and that the various schemes and sectors hang together. Could the bottlenecks in basic industries have developed so far if a strong cabinet body had been breathing down the neck of the Minister responsible for coal mines and demanding why, month after month, his figures were below target? ⁵²

This is a question which, when adapted to their own circumstances, other governments which rely on subordinate expediting organizations would do well to ponder.

SUMMARY AND CONCLUSIONS

There is a need for every country which seeks to plan well to define as precisely as possible who is to do what and how, i.e., by what criteria or standards it is to be done. Few countries bother to do this. Consequently, there is often a lack of clarity about the division of responsibility between planning and operating bodies and an even greater uncertainty about the manner in which planning functions are to be performed.

Ultimate responsibility for all aspects of national development planning rest with a nation's supreme government authority, although many planning functions must be distributed throughout the public administration and to the private sector. But there are some responsibilities which this authority should not delegate. Among these are approval of plans and the setting of planning objectives and targets.

Where a central planning agency exists, it is almost always assigned the task of preparing and, when necessary, revising national development plans. In every country with a central planning agency, the agency which prepares the medium- and long-term plan also prepares the annual operational plan. Since an annual plan is the most convenient medium for adapting a long-term plan to changed conditions, its formulation is an essential part of the continuous planning process by which a medium-term plan is revised. Because an annual plan can

⁵² Ward, Barbara. *Plan Under Pressure, An Observer's View*, p. 31.

make basic changes in a medium-term plan, the agency responsible for formulating the annual plan is in fact the agency which determines the ultimate character of the medium-term plan. For these reasons, as well as because the scarcity of planners in less developed countries makes it desirable to reduce competitive demands upon them by different agencies, annual and long-term plans should be prepared by the same agency.

An annual development or operational plan—which covers physical, human and financial resources—must be distinguished from an annual capital or public investment budget, which is concerned only with financial resources. The first is primarily the responsibility of a central planning agency; the second is primarily the task of a budget office. But there is need for the closest collaboration between the two bodies. Where an agency is responsible for allocating foreign exchange for both public and private investment it should also work in close co-operation with the central planning agency.

Because ministries of finance in less developed countries often pay little attention to central planners, some experts have advocated that the central planning agency be given authority to prepare the capital budget, thus giving it direct control over a powerful device for implementing its plans. But by taking on this task, it almost invariably reduces the time available for planning, its main function.

Because planning is heavily dependent on statistics, some countries have made the central statistical office a part of the central planning agency. There are advantages in this arrangement, not the least of which is that planners are thereby able to insure that statistics are prepared in suitable form for planning. But there are also overriding disadvantages. A central statistical service has to provide data for purposes other than planning, and there is much to be said for giving the statistician a degree of independence from the planner. Experience shows, also, that where the statistical and planning functions have been combined in a single agency, either the statistical or planning function has been neglected.

In some countries the central statistical office and the central planning agency are independent divisions or departments in the same ministry. This is better than having the central statistical office within the central planning agency. Nevertheless, it still involves a substantial risk that statistical priorities will be largely determined by planners' wants. The most satisfactory solution appears to be to establish the statistical office as an autonomous body. The close co-operation needed

between the statistical office and the users of its data can then be obtained through a steering committee which includes as members the head of the statistical office, the chief planner and the senior officers of other interested ministries and agencies.

In most less developed countries there is also a great need for one government body to co-ordinate the acquisition and use of foreign technical skills. Attempts to co-ordinate relationships with external organizations rendering technical assistance through a ministry of foreign affairs have not proved successful because this ministry is generally poorly informed about development priorities. This is also true, although to a lesser extent, of co-ordination through a ministry of finance or ministry of economic affairs. Where a plan exists, it furnishes the best guide for allocating technical assistance. In countries with a plan, a central planning agency is best situated to determine development priorities. It is best to have a separate unit in or out of the central planning agency, but closely associated with the planning agency, to carry out these operational tasks.

One government body also should be assigned responsibility for co-ordinating all foreign development financing and for getting the greatest benefits from such funds. A central planning agency should help determine the extent of foreign resources required and their distribution for development purposes, but the actual negotiation of foreign aid and loan arrangements and co-ordination of the use of aid and loan proceeds are operational tasks which other government bodies are more qualified to perform. The preferred way of centralizing control over foreign loans and aid is for a government to designate one office as the only one authorized to negotiate all loans and aid. Where administrative regulations cannot be enforced effectively, operating ministries and agencies should be required, by law, to obtain the approval of a ministry of finance or another designated entity before the government's credit can be legally committed.

Whether a central planning agency should be responsible for the preparation of regional plans depends on factors such as the size and character of a country's economy, the type of planning and government, the stage of development in the region concerned and the availability of technicians to staff regional planning agencies. In the socialized countries, regional planning bodies generally prepare plans for their regions which are integrated by the central planning agency into the national plan. In the mixed economies, regional plans are sometimes prepared by a central planning agency but where an

autonomous regional development authority has been established, it is both desirable and usual for it to prepare the plan for its region. However, one problem in many countries is that regional planning has proceeded independently of national planning, with the result that a series of unintegrated regional plans has sometimes been produced, based on regional aspirations instead of available resources.

It is generally accepted that operating ministries, departments and agencies have prime responsibility for preparing public investment projects, combining them into integrated sector or subsector programs, carrying out or supervising the execution of the projects and programs and making periodic reports on their progress. They are usually the depositories of most of the specialized, technical and administrative knowledge and have the greatest practical experience with actual problems in their fields of operations. These organizations are also apt to be in the best position to estimate private investment for the parts of the economy in which they operate. In practice, however, operating organizations in most less developed countries do not have enough personnel qualified to initiate good projects and prepare them well, let alone combine them into coherent programs based on a rational analysis of costs and benefits. When organized planning begins in most less developed countries, due to the pressure to get a plan in operation, it is common practice for the central planning agency to take over some of the work of initiating, preparing, evaluating and even executing public investment projects, as well as the preparation of private and public sector programs.

The assumption of project preparation, or other executive functions by a central planning agency, is usually justified as a temporary expedient until the situation in the operating organizations can be improved sufficiently to permit them to perform their normal functions. But experience shows that once a central planning agency assumes these responsibilities, it becomes increasingly difficult to relinquish them. This is because the staff of the central planning agency tends with practice to become more expert in initiating, preparing and evaluating projects, while the operating organizations, more or less deprived of practical experience, remain as inept as ever.

When a central planning agency takes over some responsibility for projects and programs, friction between it and operating organizations almost invariably develops. Operating organizations resist carrying out projects and programs initiated or prepared by outsiders. The central planning agency may intend to train persons in operating organizations

to assume full responsibility for projects and programs eventually. But it almost never works out as expected, because the central planning agency has more work than it can do when it must concern itself with projects and programs in addition to preparing aggregative plans.

To meet the need for training staffs in operating organizations, some countries have established semiautonomous government institutes for conducting research in planning and for training planning and programming personnel. Where an institute is available to train the staffs of operating organizations in programming techniques, it is unnecessary for a central planning agency to get involved in project and program preparation, which, on the one hand, interferes with its own planning work and, on the other hand, arouses suspicions in operating organizations that the central planning agency is seeking to meddle in operations.

Good planning procedure requires that projects and programs be reviewed to insure their consistence with plan objectives, policies and targets. Where a central planning agency attempts to make this review in the detail required, it often ends up with much the same work and frictions as if it had taken over the initiation and preparation of projects in the first place. Experience demonstrates that better results are obtainable with interministry committees whose members represent all interested parties.

The preparation of a consolidated report on the progress of a development plan is a task which is generally entrusted to a central planning agency. Some believe a planning agency may not be able to be objective about failures, but this is a danger that must be risked.

Some experts feel that a central planning agency which has only advisory functions is unlikely to be effective. There is no denying that, in the circumstances prevailing in many countries, a central planning agency with executive powers is apt to be in a stronger position than one with only advisory functions. But those who advocate executive powers for planning agencies on this account forget that it is the responsibility of the heads of government, not the central planning agency, to enforce the discipline of a plan.

Some who favor a central planning agency with executive powers believe that it should be responsible for implementing plans. Others, who consider it desirable to have a government agency supervise implementation, advocate that an autonomous body be set up for this purpose. But special organizations set up to supervise plan execution have not worked well. In a well-ordered government, there is no need

for a special entity to expedite implementation. However, if a government considers it necessary to have a separate organization to co-ordinate development operations, the least objectionable choice is a central planning agency. If the staff in the planning agency dealing with the operational task of plan co-ordination is organized separately from the staff engaged in the advisory task of plan formulation, review and revision, the dangers of confusing operational and advisory responsibilities are minimized. If the planning agency carries out its coordinative functions in the name of the chief executive, it becomes as it should, a secretariat for the supreme political authority who has ultimate responsibility for surveillance over the execution of plans.