

Chapter XIII

Locating a Central Planning Agency

A central planning unit may be placed in the office of a prime minister or president, but if the president or prime minister is incapable of choosing able planners or of relating the planning unit to the ongoing operations of government, such organizational propinquity is irrelevant. . . . Every government [also] has its positive and negative ministers and ministries. Both types have essential roles to play. But the illusion that planning should be attached to negative ministries simply because such ministries have economic functions is one of the most crippling illusions of our time.¹

INTRODUCTION

WRITERS ON planning and planners themselves often differ about the preferred administrative location for a central planning agency. One well-known writer, expressing a widely held view, insists that whatever form a central planning agency takes,

it must be a unit within or attached to the office of the chief executive.²

But when the Norwegian Government established a permanent planning office it contended, as many others have also, that

the planning apparatus should be situated in the Ministry of Finance which is the central organization occupied with questions of economic policy.³

Some authorities believe that it is generally more expedient, given the resistance to new institutions in many governments, to introduce

¹ Bailey, Stephen K. "The Place and Functioning of a Planning Agency Within the Government Organization of Developing Countries," p. 130.

² Hagen, Everett (ed). *Planning Economic Development*, pp. 332-333.

³ Norway. Royal Norwegian Ministry of Finance. *Extension of Economic Planning*, p. 11.

planning offices into existing ministries, departments or agencies. They feel this is preferable to setting them up as separate entities, even though these can be shown to be theoretically more efficient and desirable.⁴ They say that as part of a well-established ministry with accepted functions, a planning agency is in position to operate most effectively. This was one of the arguments advanced for putting the Norwegian planning unit in the Ministry of Finance:

The planning division must have an important position in the administration, and in the Ministry of Finance economic planning can be coordinated with the use of essential instruments of economic policy such as taxation, appropriations, and monetary and credit measures.⁵

Similar arguments have been used for placing planning agencies in existing ministries of economic affairs or development and in other operating ministries.

Others have taken a position which is diametrically opposed to that of authorities who advocate putting central planning agencies in existing ministries. Some believe that

the planning agency should be an independent body, preferably located in a separate Ministry of Planning.⁶

Others contend that the political and administrative situation prevailing in at least some countries is so inhospitable to planning that a central planning agency is almost inevitably doomed to ineffectiveness if it is established anywhere within the existing government structure. They would therefore free central planning agencies from the baleful effects of bad politics and unduly restrictive administrative and financial controls by placing them outside the regular government administration. This line of argument has been advanced to justify the creation of autonomous planning organizations, partially autonomous planning commissions and even for putting planning agencies in central banks.

There is, finally, a school of thought which holds that it is an illusion to believe

⁴ UN. TAA. *Introduction to Public Administration in Development Policy, Preliminary survey of the experience of several Latin American countries*, p. 3.

⁵ Norway. Royal Norwegian Ministry of Finance. *Extension of Economic Planning*, p. 11.

⁶ UN. ECAFE. "Economic Development and Planning in Asia and the Far East," *Economic Bulletin for Asia and the Far East*, December 1961, p. 36.

that the precise location of a planning unit in a formal organization chart is a matter of great consequence, whereas what is important is not in which ministry or office the unit is administratively attached, but that it should have access to all ministries and agencies involved in development.⁷

As one writer expounding this line of reasoning points out, since planning is difficult and complex, it requires the mobilization of the ablest and most vigorous innovators and administrators in government and society. In the last analysis, he asserts, it is the persons involved, not a planning agency's administrative location, which determines its effectiveness:

Without suggesting in any way that organizational structure is unrelated to the successful performance of governmental functions, it is flesh and blood rather than bones which give life and vitality to any organism—individual or institutional.⁸

If the right persons can be found and the preconditions for genuine planning can be established, the precise place for a planning agency within the government organization of developing countries is "residual." The writer suggests, therefore, that a number of possible locations exist for a central planning agency:

In some countries the actual planning function has been placed under finance ministries; in other countries separate planning advisory councils have been successful. Planning agencies located in the structure of the office of the chief executive can be particularly successful if the chief executive, himself, is not preoccupied with other matters, and if more traditional centers of power in subordinate ministries are not so engrained as to be unduly disruptive of the planning function.⁹

THE PLANNING AGENCY AND THE CHIEF EXECUTIVE

In the light of the diversity of views on the subject, can it be said that there is one place in most if not all governments which has been found to be the most desirable location for a central planning agency? Or does

⁷ United Nations Conference on the Application of Science and Technology, etc. *Science and Technology for Development*, p. 4.

⁸ Bailey, Stephen K. "The Place and Functioning of a Planning Agency Within the Government Organization of Developing Countries," p. 130.

⁹ *Ibid.*, p. 136.

"the most desirable location" differ so much from one government to the next and in the same government from one time to another that generalization becomes impossible? A case could be made from experience for the view that the best approach in less developed countries (where organization is frequently less important than the personality of a government leader) is to locate a central planning agency wherever there is someone especially qualified, interested and powerful enough to give this new and weak arm of government the best chance of surviving and progressing. Indeed, in some countries, a central planning agency would not have been established when it was if such a person had not taken the initiative and convinced his government of the need. Thus, the Dutch Central Planning Bureau owes its existence, as well as its location in the Ministry of Economic Affairs, to the fact that the Minister of Economic Affairs at the time of its establishment took the initiative to establish a planning agency in his Ministry. Similarly, planning agencies were started in the Ministries of Finance of Israel, Mexico and Singapore because the Ministers of Finance in these countries were the only Ministers in their Governments prepared to sponsor planning. Even the location of Iran's Plan Organization outside the government administration can be traced to the insistence of Iran's most prominent advocate of national planning, later the Plan Organization's first Director (who as Governor of Iran's Central Bank was outside the Government), that only a completely autonomous planning agency could work in Iran.

Nevertheless, attempts to link a planning agency to a specific individual have serious drawbacks. It may mean that the central planning agency has to move from one place in a government to another whenever its sponsor changes jobs. It happened in Israel when the Minister of Finance became Prime Minister and was replaced by another Minister of Finance who was not as interested in planning as his predecessor. This way of handling the problem may help preserve the existence of the planning agency but it can retard the institutionalization of the planning process. Granted that a sponsor's commitment and drive are important for success in planning, institutions last longer than people. If planning is to become a permanent and legitimate part of the machinery of government, it must—like finance and other traditional functions—be primarily identified with government as a whole instead of with an individual.

The alternative to moving about with a sponsor may be as undesirable as moving. If a planning agency stays where it is after a minister

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who is interested in planning is succeeded by one who is not, the position of the planning agency usually deteriorates. In Pakistan, for example, after the politically powerful Minister of Economic Affairs, who had been the major force behind the country's Planning Board, left the Government and was replaced by a series of ministers who did not give much attention to planning, the Board entered into a long period of decline.

The dilemma posed by both alternatives—whether a central planning agency should or should not move with its sponsor—arises only when we are dealing with governments where development and, hence, planning are not of paramount political importance. The real issue in these countries is not so much where to put a central planning agency, but whether they are ready to make effective use of one. If the continued existence of a central planning agency largely depends on the sponsorship of one individual in a government in a specific position, there is little point in debating the merit of other locations. It either stays with him or it ceases to exist as an effective entity.

Doubts about the preferred location for a central planning agency generally arise only in countries which are either not deeply committed to development planning or are new to it. Where a country gives planning high priority, its central planning agency is almost invariably closely associated with its chief executive or, in a cabinet form of government, with its council of ministers. Indeed, an almost infallible way in which to tell whether a government is in earnest about planning is to see whether the central leadership is consistently involved and concerned with the decision-making which characterizes the planning process. In the socialized countries, for example, where planning holds a commanding position, a central planning agency is always near the source of executive power. In these countries, the central planning agency reports to the council of ministers or, in Yugoslavia, to its equivalent, the Federal Executive Council. As more experience with planning accumulates and planning becomes more important in the mixed economies, there has emerged a clear tendency for these countries also to establish central planning agencies within the office of the chief executive or with the chief executive at its head. Although nominally outside the regular government administration, India's Planning Commission has from its beginning had the Prime Minister as its Chairman. Pakistan's central planning agency, originally under the supervision of its Minister of Economic Affairs, was made responsible to the Chief Executive when a new Government, much more com-

mitted to planning than its predecessors, took power in October 1958. The French Commissariat Général du Plan was originally attached to the Office of the Prime Minister. In 1954, it was placed under the Minister of Finance, but in 1962, it was again put under the Prime Minister,

who wished thereby to indicate the importance he intended to give the Plan in the Government's economic and social policy.¹⁰

As already indicated, when planning begins in a country, a central planning agency may be established almost anywhere because of the fortuitous administrative position of its sponsor. It may also be located in one place or another because of tradition. In many new countries which were once British or French colonies, central planning agencies have been established in ministries of finance at the time of independence because these ministries were the centers of whatever public investment planning or "development budgeting" prevailed during the colonial period. A ministry of finance also is especially likely to be favored as the site of a central planning agency in countries which have difficulties making financial ends meet. But whether because of the location of an original sponsor or because of tradition, the trend has been to shift central planning agencies from their original position in a ministry of finance or elsewhere to the jurisdiction of the chief executive. Thus, Iran's Plan Organization, long autonomous, was made responsible to the Prime Minister. In Burma, Ethiopia, Ghana, Madagascar, Mexico, Morocco, Senegal, Sierra Leone, Singapore and other countries, the direction has been the same. There is also an increasing tendency for countries establishing planning agencies for the first time to place them under the authority of the chief executive from the beginning. For example, all but one of the nine new planning agencies established in Latin America under the stimulus of the Alliance for Progress are located close to the Presidents of their countries.

The trend could hardly be otherwise. Planning is by its nature a staff function which cuts across the responsibilities of all government ministries, departments and agencies. If properly carried out, the preparation and execution of development plans affect in some measure every important economic and social group, class and sector. Whether it is handled well or poorly, many people and powerful interests in the public and private sectors of an economy will be

¹⁰ UN. Consultative Group on Planning for Economic Development. "The Political and Administrative Organization of the Planning System in France," p. 44.

disturbed by the preparation of a plan and its execution, if not by the very idea that planning is taking place. Those inside and outside government who believe themselves to be aggrieved or affronted will invariably seek to exert pressure on the most important government officials they can reach. Where a budget has been the main instrument for controlling public investment, a minister of finance is likely to assert what he considers to be his prerogatives. To reconcile differences between a minister of finance and a head of a planning agency, to deal effectively with the important issues raised by planning and to bring everyone into line with a government's development policies requires basic decisions which only the highest government authority can make and enforce. It is therefore unavoidable that the chief executive power in a country (be it prime minister, president of the republic, council of ministers, king, emperor or shah) will be the head of a central planning agency which seeks to give effect to plans, in fact if not in name.

In a handful of countries, the chief executive has successfully delegated responsibility for development planning to someone else. But this has worked well only when the chief executive has completely excluded himself from the field and has given unfailing support to someone who could act for him in virtually all circumstances. It has been done, for example, in Malaya, where the Deputy Prime Minister is in full charge of planning. In Israel, the Prime Minister was able at one time to transfer responsibility for all investment planning to his Minister of Finance, but only because the Minister was recognized by all concerned as the Prime Minister's spokesman on development matters. But in Turkey, because of a coalition Government which made it necessary at one time to divide the planning function between two Deputy Prime Ministers, the Prime Minister in practice had to make the final decisions when he arbitrated their frequent differences. In Bolivia, also, disagreements about policy made it necessary to transfer the planning agency from the Vice-Presidency to the Presidency of the Republic. In some countries, e.g., Ethiopia and Iran, the central planning agency is under the nominal jurisdiction of the prime minister. But since basic decisions are almost always made by the sovereign, most important planning problems have a way of ending up with him, too.¹¹ In Nepal, the Deputy Prime Minister was at one time in

¹¹ In Ethiopia, the Imperial Planning Board is actually presided over by the Emperor.

charge of planning. However, the King really made the decisions and he eventually recognized planning's affinity for the highest authority by assuming direct responsibility for planning himself as Chairman of a National Planning Council.

Nevertheless, "organizational propinquity" to the chief executive power is insufficient to insure a planning agency's effectiveness. If, as in Burma during the 1950's, a prime minister is unable or unwilling to devote himself sufficiently to development problems, the planning agency's proximity to the chief executive matters little. Colombia's

Planning Office has acted as something of a floating appendage in the government structure, even though it has nominally always had the strategic location of being directly attached to the Office of the President, and has failed to have the influence that might have been expected *at least* on the composition of *public* investment.¹²

In Mexico, the effectiveness of the planning agency was actually reduced after it was transferred to the Presidency and it was necessary to appoint an Interministry Planning Commission, composed of representatives of the Ministries of Finance and the Presidency, to prepare a Three-Year Plan.

There is, therefore, no assurance that a central planning agency under the authority of a chief executive will work better or even as well as one located in another administrative niche. The available evidence indicates only that where a country has a genuine and continuing concern for development, it is best to link a central planning agency with the chief executive because his power and prestige is usually essential to successful planning. But where a country is new to planning or is not yet prepared to do what is needed to plan effectively, a case can be made, at least in the short run, for establishing a planning agency wherever the most powerful sponsor happens to be located on the administrative chart. If this approach is taken, however, it must be recognized that, much more often than not, the central planning agency will not remain viable for long after its sponsor leaves. What is even more important, even if a planning agency sponsored by a strong (and often controversial) administrator produces plans and carries out some projects and programs, it is unlikely to have a lasting effect in diffusing better development procedures throughout a skeptical or hostile government bureaucracy. Perhaps a somewhat stronger case can be made,

¹² Columbia University School of Law. *Public International Development Financing in Colombia*, p. 144.

again as an interim measure, for putting or keeping a central planning agency in the spot where it has traditionally been located until more planning experience and greater acceptance of planning make it evident that the time has come to place the planning agency under the direct authority of the chief executive.

The problem, then, may be reduced to whether it is better in a specific instance to take the long or the short view. In the long run, it is clearly desirable to make the chief executive power responsible for a planning agency. Those who are prepared to postpone immediate returns for greater ones in the future can point out that if a central planning agency is to make its mark, the sooner it settles in what is to be its permanent location, the better. When a new agency is moved from one spot to another before it has had a good chance to fit into the prevailing administrative order, it can be unduly disruptive to its relationships with other entities and, sometimes, to its prestige. Those who take the long view therefore believe that planning is likely to be institutionalized sooner than otherwise if a planning agency is located from the beginning where it should be when a country is ready to plan in earnest.

On the other side are those who believe that the only sensible test of a good planning agency is whether it works well now—not some time in the future. Those who espouse this view discount the disruptive effects of moving a central planning agency later, or they consider that the greater immediate benefits obtained from locating a planning agency where it works best in the short run more than counterbalance the ill-effects associated with later changes in location. It would be difficult to prove or disprove this. But problems associated with moving a planning agency do not end here. Because personal interests tend to become vested in a planning agency as much as in most other institutions, it has not always been possible to transfer a planning agency from one place to another when the desirability for this has become clearly apparent. Thus, attempts to change the location of planning machinery in one country from a Ministry of National Planning to the Office of the Chief Executive had to be abandoned because the Minister involved successfully resisted the move which would have involved a reduction in his rank and status. In countries where the planning agency is located in a ministry of finance, attempts to move the planning agency to another spot have also frequently encountered strong opposition from the minister of finance or from his officials.

Despite these difficulties, it would be dogmatic to insist that in all countries at all times a central planning agency must be under the direction of the chief executive. Perhaps the most that can be said is that since this is the preferred relationship in the long run, anything less than a close link between a head of government and a planning agency should be a temporary compromise with expediency.

AUTONOMOUS PLANNING AGENCIES

If experience does not furnish a ready-made answer to the question of where to locate a central planning agency in every country and circumstance, it does provide significant clues about some places it would be better to avoid. Foremost among these is a location outside government. Some countries, like Finland, as well as Sweden until recently, purposely set up non-government planning agencies which produce national budgets or plans on their own responsibility. The government is then free to adopt what it likes and disregard the rest. This procedure works for a time in developed countries which are not greatly concerned with planned development. But when a country wants to get down to serious planning, it sets up a government planning agency, just as Sweden did. Indeed, a planning agency must be a government organization if it is to express government policy. A government is unlikely to pay much attention to a planning agency outside its regular administrative structure. This became evident, for example, in the United Kingdom, where the National Economic Development Council (variously known as NED or NEDC) produced projections which assumed an accelerated rate of growth. The Council's "plans" had little effect on national policy. The *Economist* complained that

at present NED is a body whose staff produces rather vague reports which are then read and to some extent regarded by the Treasury when it is working out national economic policy, although to what extent is never very clear. . . . The need is to extend the way in which what can be called the 'NED approach to planning' is brought into national policy.¹³

But this was difficult, given the Council's location outside the Government. As the Rt. Hon. Harold Wilson, then leader of the opposition, pointed out:

¹³ *Economist*, September 5, 1964, p. 890.

What NEDC's first report raises is whether, in the long run, a report by an 'outside' body, however well-staffed and expert, can ever have the necessary authority to initiate the policies, in government and in industry, which will be required. A planning organization needs to acquire its authority from the Cabinet and the economic departments if it is to be able to call, in the national interest, for the cooperation that will be required. For that cooperation, and the sacrifices entailed, will only be forthcoming if those concerned know that the Cabinet, too, is committed to the governmental decisions which are needed if the plan is to become a reality.¹⁴

As with Sweden, the United Kingdom also established a central planning agency within the government administration when the Government wished to begin planning in earnest. It remains to be seen to what extent Canada's Economic Council, also established outside the regular government administrative structure, will influence the Government's economic policy.

Sometimes, in the hope of divorcing development policy and execution from politics, planning machinery is set up in the form of an autonomous development board or corporation outside the normal structure of government.¹⁵ But it is impossible for a planning agency to be both autonomous and effective. A plan which is to have a good chance of being implemented must be a joint project of those who have to carry it out and must express their co-ordinated aspirations in the context of a common goal. Moreover, the very essence of planning, indeed the very decision to begin planning, is political. There is no way of avoiding this, even if it were desirable. No chief executive and his cabinet can be expected to abdicate their authority over policies which touch the heart of all governmental activity to an agency which they do not control.

Nor can development policy be divorced from other aspects of government policy when it needs to be integrated with it. As the Iranian and Iraqi experience has demonstrated, the establishment of an "independent" planning agency can lead to its isolation from the rest of government, confusion of responsibility, unproductive rivalry and

¹⁴ "Planning in a Vacuum," *New Statesman*, p. 558.

¹⁵ Such entities may also be considered desirable for a number of other reasons. Thus, they may make it easier to get participation from persons outside government, they are not subject to burdensome government accounting and auditing controls or salary and other civil service limitations and, in general, they can conduct business with the freedom of action of a private firm.

wasteful duplication. Attempts to insulate Iran's Plan Organization from the hazards of political life only succeeded in stimulating political opposition which, over a four-year period, gradually eroded its autonomy until it came completely under the influence of the Prime Minister. In Iraq, the independence of the Development Board was even more short-lived before it gave way to pressure from the Cabinet in 1953, three years after it was founded. In Chile, the success of the *Corporación de Fomento de la Producción* (CORFO) as a development corporation has not been equaled as a central planning agency. As an autonomous entity, CORFO has indeed been removed from politics, thereby giving its management and personnel a measure of stability. But it has also been far removed from the seat of political power and decision-making. Since CORFO is itself a claimant for available development resources for its own projects and programs, ministries and other government bodies sometimes took the view, whether justified or not, that it was likely to favor its own interests above those of others in the over-all development plans it prepared. They therefore were inclined to consider the planning it did as its private affair. Consequently, as CORFO's Director General pointed out, CORFO found

it more difficult to enlist the cooperation of all sectors for the preparation of the plan. The private sector has by and large proved cooperative, but some of the government agencies have shown themselves reluctant to give assistance.¹⁶

This is hardly surprising, since CORFO, operating apart from the government administrative structure much like a private firm, finds it easier to deal with businessmen than with civil servants. To help counteract CORFO's isolation from the government administration, an interministerial Economic and Reconstruction Programming Committee (COPERE) was created in 1960 to supervise execution of Chile's Ten-Year Development Plan. Through COPERE, the Government sought to impart to the biggest investors of public funds a sense of participation in the implementation of the Plan.¹⁷

Those who consider independence from government an essential

¹⁶ OAS. Inter-American Economic and Social Council, etc. "Summary of Mr. Diaz's Remarks on Chile's Experience with an Autonomous Planning Agency," p. 29.

¹⁷ COPERE's members were the Ministers of Economy, Development and Reconstruction; Finance; Public Works; and Mines and Agriculture, as well as the Vice-President and General Manager of CORFO; the Vice-President of CORVI (the public housing corporation); and the Director of the Budget.

attribute for a planning agency sometimes favor its establishment in a central bank outside the government. Central banks generally enjoy reputations for integrity, efficiency and financial soundness. They usually have good research departments, occasionally the best available. In some countries, e.g., Israel, they have issued multiannual economic projections or even, e.g., in Peru, multiannual development plans. Officials of central banks have taken the initiative in advocating the establishment of planning agencies and have been selected to head new planning agencies in Iran, Israel, Pakistan and other countries. It has therefore seemed reasonable to some who value autonomy in planning agencies to propose a central bank as an appropriate location for a planning agency. But for the reasons previously given, planning agencies in central banks are not likely to be more successful than other autonomous planning agencies. The question has remained academic despite efforts of advocates because until now governments have been unwilling to place a national planning agency in a central bank.

The main objection to attempts to insulate planning from politics through the use of an autonomous planning agency is that the attempts are based on the naïve assumption that economic development is largely determined by the sum total of public works and other projects and programs completed in a country. Of course, this is far from the truth. If all that was needed were enough completed projects, underdevelopment could be overcome, at least by the oil-rich countries, if they imported enough foreign engineers and other technicians and contractors from the developed countries to design and construct the roads, power stations, dams and industrial plants which superficially distinguish the advanced from the less advanced nations. Indeed, some countries have tried to build their major regional and other works in just this way.

But the problem is, of course, much too complex and difficult to resolve through such means. It is, for instance, a waste of money to build a dam unless a government is capable of administering it when it has been completed, unless the land use pattern permits benefits to accrue to those who farm the land and unless farmers are taught how to make effective use of the water and power which the dam makes available. To induce the decisions needed to bring such things about requires political, economic and social changes in attitudes of many people in and out of government. It is this which makes development a difficult process and one which takes time to consummate. The basic ingredient in the development of a country, therefore, is not the

number of projects completed, but the gradual change of attitudes, the development of skills, the dropping of old ways and the taking on of new ones which come from the continuing participation of people in the development process. It is through the joint and repeated endeavors by which development plans are devised and carried out that these changes can be brought about and government machinery can be re-oriented to act in increasingly rational ways. An autonomous agency deliberately separated from a backward government, whose attitudes and procedures must be transformed before a country can develop, is hardly a suitable mechanism for bringing about the necessary metamorphosis.

PLANNING AGENCIES IN MINISTRIES

Nor is it usually possible for a central planning agency to exert the necessary influence if it is located within a government but too low in the administrative hierarchy. A planning agency must have the high position which corresponds to its function. If it is to prepare realistic plans which conform to government policy, it requires free access to information in any ministry, department or agency whose work is related to its task and it must be in close contact with the highest political authority. It is rarely in position to achieve these objectives if it is made part of an existing ministry. In Morocco, for example, the Division of Economic Coordination and Planning (DECP) was originally situated in the Ministry of National Economy and Finance. Although this was a "super-ministry" with considerable influence in the Government, the DECP was greatly handicapped in bringing this influence to bear on others because its own position within the Ministry was subordinated, in fact if not in form, to those of the more powerful divisions of Finance, Commerce and Industry, and Industrial Production and Mines. The DECP found it hard to get the requisite attention from the Minister, whose wide range of short-run operational responsibilities left him with little time for the longer range and, hence, postponable activities of a planning agency. Within the Ministry, the DECP was largely ignored; outside the Ministry, the DECP had trouble getting other ministries and offices to comply with the government order requiring them to furnish it with statistical, financial and economic data and to co-operate with it in other essential ways.¹⁸ The

¹⁸ Waterston, Albert. *Planning in Morocco*, pp. 39-40.

other ministries and agencies tended to view the DECP as the planning agency of the ministry in which it was located instead of the central planning agency for the whole Government.

Similar experiences are common in other countries where planning agencies are placed in ministries of development or economic affairs.¹⁹ In Sierra Leone, for example, an Economic Planning Unit came within the Ministry of Development, while in the Netherlands, a Central Planning Bureau is in the Ministry of Economic Affairs. In these ministries, planning, an advisory function, is combined with development operations of various kinds. Thus, when planning started in Nepal, the planning agency was made a part of a Ministry of Planning and Development which included operational departments for mining, village development, multiple purpose projects and other matters. Not only was the planning function too low in the administrative structure; the combination of planning and operations proved to be too much for the Ministry's personnel to handle. When it became apparent that the Minister and his hard-pressed staff were not paying enough attention to planning, some operating functions were transferred to other ministries. Eventually, however, the Ministry itself was replaced by a Ministry of Planning which had no operational responsibilities.

The location of a planning agency in a ministry of development or economic affairs has proved to be a good one only in special circumstances. In the Netherlands, for instance, the Central Planning Bureau in the Ministry of Economic Affairs operated effectively because several economists who recognized the advantages of planning held positions of political power when the Bureau was established and also because the first Director of the Bureau was himself an eminent economist, highly esteemed by his colleagues in the Government. When he left the Bureau, however, its status declined, in considerable part because as a subordinate office of the Ministry of Economic Affairs, its later directors did not have direct access to the Cabinet. More recently, with the need for planning becoming more apparent in Europe, the Bureau has become more important. But this has required the Bureau, despite its official connection with the Ministry of Economic Affairs, to function independently of the Ministry and for its Director to have direct contact with members of the Cabinet. In Jamaica, also, the Central Planning Unit operated effectively as a part

¹⁹ Development ministries may go by other names. For example, such a ministry in Korea was called the Ministry of Reconstruction.

of the Ministry of Development when the Prime Minister held the portfolio of Development. Under this arrangement, the Central Planning Unit was for all practical purposes within the Prime Minister's Office and its Director acted in his name. However, when the Government changed, the planning agency became a subordinate unit in the Ministry of Development headed by a regular Minister, with all the disadvantages inherent in this arrangement.

At one time, Turkey located its planning agency in its Ministry of Foreign Affairs because pressure for planning, with funds for financing development, came from abroad. During the period of the Mali Federation, the Bureau du Plan was in the Ministry of Agriculture because Mali is a predominantly agricultural country; while, in 1948, Norway put its planning office in its Ministry of Commerce because that Ministry was concerned with imports at a time when limited foreign reserves made it essential to plan for their control, as well as for other reasons. But it has proved to be even more undesirable to establish central planning agencies in other traditional ministries than in ministries of economic affairs or development. Not only is planning, an advisory function, an anomaly in an operating ministry; not only does it, as a segment of a ministry, generally function at too low a level to carry out its responsibilities properly; it must also endeavor somehow to spread ideas and modes of behavior which frequently seek to shatter precedent from the stultifying confines of an old-line ministry which, in most cases, accepts precedent as its main guide to action. In addition, a planning agency in a regular operating ministry finds it difficult to enlist the co-operation of other ministries and agencies because they tend to look on it as being mainly concerned with the interests of the ministry in which it is located. This, it will be recalled, happened in Morocco.

A ministry of finance is by far the commonest location among traditional ministries for a central planning agency. It is the first choice of many new countries which have, as colonies, become accustomed to a government's financial authority as the center of public economic activity and co-ordination. In many countries, where financial stability is a prime requirement, the minister of finance is often the most powerful minister next to the chief executive. It has seemed natural, therefore, to put a planning agency in the ministry which, through its control over taxation, budgetary appropriations, and monetary and credit policy, is likely to have the most influence on the execution of development plans.

The effectiveness of a planning agency located in a ministry of

finance may vary greatly from one country to another. If the chief planner is subordinated to the chief civil servant in the ministry, as in Kenya and the Sudan, he is likely to have less authority than if he is the top civil servant in the ministry or reports directly to the minister in some other way. The planning agencies in France and Israel were, for practical purposes, autonomous when they were associated with the Ministries of Finance of their respective countries because they reported directly to the Minister and not to any official in the Ministry. In Tunisia, the Director of Planning in the Ministry of Planning and Finance has a higher status than the Directors of the Budget and the Treasury in the same Ministry because he also holds the rank of Undersecretary of the Ministry. In the UAR, planning had a favored status over finance when it was in the Ministry of the Treasury and Planning because the Minister (who also was a Vice-President) was Minister of Planning before he assumed the portfolio of the Ministry of Finance.

Those who believe a ministry of finance to be the best location for a planning agency can muster an imposing array of arguments in support of their position. Planning is, of course, closely associated with the raising of funds through taxation and borrowing, the preparation of budgets and the control of public expenditures. There is also need for the closest co-ordination between development plans and budgets. Where co-ordination has been imperfect, it has sometimes had disastrous effects on a country's financial standing. Since projects and programs in a plan must be examined by the budgetary authority in a ministry of finance, which has built up the necessary expertise for the job, it appears to be an unnecessary duplication to set up a separate planning agency to scrutinize the same projects again. Moreover, where skilled technicians are scarce, it may not be easy to find adequately qualified personnel. Thus, it has been held that co-ordination would be more likely and duplication less likely if the financial and planning functions were in the same ministry. Finally, since a ministry of finance has no projects of its own, it has no special interest in favoring one project or program over others, thereby making it what appears to be a natural arbiter among the various claimants for development resources.

But there are also a number of telling arguments against putting a planning agency in a ministry of finance. Firstly, in many countries, large investments made by autonomous agencies, and provincial and local entities are outside the budget and, hence, outside the control of

a ministry of finance. There is no special advantage in these cases for having a planning office in a ministry of finance. However, the most important argument against this location is that a ministry of finance's approach to development differs fundamentally from that of a planning agency. A ministry of finance is necessarily and correctly concerned with controlling and conserving financial resources to insure that allocated funds are well spent and that more money is not disbursed than is available. A planning agency, while bound by the limits of available finances, must think in terms of expanding these resources to provide the basis for a rate of growth which is greater than the increase in population. Typically, these different approaches require a ministry of finance to achieve its goal by trying to keep expenditures from exceeding financial resources, while a planning agency must, to achieve its major goal, encourage the acquisition of increased resources to allow higher investment. Moreover, a ministry of finance is concerned almost solely with the husbanding of financial resources, while a planning agency must be as much concerned with the mobilization and allocation of scarce human and physical resources as with financial resources. Finally, a ministry of finance tends to concentrate on short-run objectives, while a planning agency must frequently recommend action on proposals which yield only distant and indirect returns.

A planning agency's approach to development is therefore radically different from that of a ministry of finance. It does not duplicate the work of a ministry of finance; it complements it. Both approaches are useful and necessary. Each casts a different light on development problems which can enhance understanding and improve the quality of decision-making by political authorities. As one authority put it,

there is no point in denying that the budget function is preponderantly negative. It is on the whole rather strongly against program and expenditure expansion. This approach is desirable, because the programmatic agencies and most of the potent pressure groups are so expansive that there will be little danger that the undeniable values they represent will be overlooked or smothered by budgeteers.²⁰

It is, of course, imperative for growth with stability that planning objectives be pursued within the limits of available financial (and

²⁰ Appleby, Paul. "Role of the Budget Division," p. 156.

other) resources. A ministry of finance has to make sure that development expenditures do not exceed available funds. But it is in position to achieve this through appropriate budgetary procedures. It is not necessary for a central planning agency to be located within a ministry of finance to accomplish this purpose. Furthermore, as experience in Morocco, Nepal, the Sudan and other countries shows, it does not follow that there will always be better co-ordination between plan and budget if a planning agency is located in a ministry of finance. In Nepal and the Sudan, the permanent undersecretaries in charge of the planning part of the Ministry of Finance were often at loggerheads with the permanent undersecretaries in charge of finance. It was largely because Morocco's Division of Economic Coordination and Planning was submerged and largely ignored by the budget and other authorities in the Ministry of National Economy and Finance that it was transferred to the jurisdiction of the Royal Cabinet.

It is true, of course, that a minister of finance must be a friend of a central planning agency if a plan is to be co-ordinated with the budget. But this does not make it necessary or desirable that he be its boss! It is, in fact, undesirable for a number of reasons, including the fact that the responsibilities of running a ministry of finance in most countries already is a full-time job for a minister. For instance, the Norwegian State Council for Organization and Method, although agreeing that Norway's planning unit should be placed in the Ministry of Finance at first, recommended that further study be given to other possibilities.

The Ministry of Finance is already a large and heavily occupied ministry. The pressure on the higher personnel will presumably be even greater as development of economic long term planning progresses. . . . The various possibilities of affording some relief to this ministry should, however, be investigated. The advisability of collecting the work of long term planning and general economic planning which now occurs in the Ministry of Finance into a new ministry for economic planning should be gone into.²¹

The argument that a ministry of finance already has all it can do is of particular relevance in less developed countries where financial and budgetary procedures and practices are generally in need of basic overhauling and improved supervision. As a well-known Latin Ameri-

²¹ Norway. Royal Norwegian Ministry of Finance. *Extension of Economic Planning*, p. 13.

can expert on the public administration problems of Latin America has cautioned:

If the budget office and the general planning office were amalgamated, the ordinary day-to-day tasks of the former would tend to absorb the staff's attention. The functions of budget departments vary from country to country; but even if they did not go beyond the mere preparation of the budget and related studies there would be little time left for planning and the tendency would be to approach problems on a short-term basis and purely from the fiscal standpoint.²²

Nor is a ministry of finance a desirable site for a planning agency in a coalition government because in such governments it is often impossible for a minister of one party to make plans for ministries headed by ministers of another party. This problem in France made it desirable to transfer the Commissariat Général du Plan from the jurisdiction of the Minister of Finance to that of the Prime Minister. But even in countries where the ministry of finance is generally acknowledged to be a strong ministry, other ministries have a way of circumventing a planning agency located in a ministry of finance when they are unwilling to abide by its determinations. In Mexico, for example, attempts by an Investment Commission set up under the auspices of the Minister of Finance to co-ordinate public investment were largely ignored by other ministries and made it desirable to transfer the Commission to the President's Office.

Because of the shortcomings of traditional ministries as sites for central planning agencies, many countries have at one time or another created new ministries concerned solely with planning. A separate planning ministry has many advantages over an old-line operating ministry as a location for a planning agency. A planning ministry has a full-time minister who can devote all his time to planning and to representing the planning agency in the cabinet and the legislature.²³ A planning ministry is therefore more likely than an autonomous planning agency, or one in a subordinate spot in a traditional ministry, to be able to promote planning, integrate it into government operations, have better access to information needed for planning and bring its points of

²² UN. TAA, *Introduction to Public Administration in Development Policy, Preliminary survey of the experience of several Latin American countries*, p. 47.

²³ UN. ECAFE, "Economic Development and Planning in Asia and the Far East," *Economic Bulletin for Asia and the Far East*, December 1961, p. 36.

view to the highest levels of political authority. Despite these seeming advantages, ministries of planning have rarely had more than transient success and in most cases have had to be replaced after a short period after their establishment.

This is because a ministry of planning suffers from two serious, seemingly contradictory, drawbacks. On the one hand, it raises an essentially advisory function too high to the ministry level usually reserved for executive responsibilities. On the other hand, by making the head of planning a minister who is no more than the equal of other ministers, it makes it easy for them to out-vote him. Planning is, moreover, the concern of the whole government, not of one minister. But it is precisely because planning affects other ministries, that their ministers are not prepared to grant another minister of equal rank authority superior to their own. Attempts by a planning ministry to plan for the government or the economy as a whole have usually been considered by other ministries as encroachments upon their domains. The situation in Burma was typical:

The Ministry of Planning was only one among many other Ministries, and the intervention of the Ministry of Planning in the activities of other Ministries was not unnaturally resented.²⁴

The jurisdictional differences which arose as a consequence led to the establishment of an Economic and Social Board, with the Prime Minister as Chairman, to oversee planning activities. Greece also created a separate planning ministry, called the Ministry of Coordination. It was supposed to have a higher standing than other ministries, but the operational ministries did not accept this until a Vice Premier assumed the portfolio of the Ministry.²⁵ The higher status of the Ministry of Planning in Afghanistan has never been in doubt since the Prime Minister has retained for himself the portfolio of the Ministry of Planning. The available evidence, therefore, makes it clear that a ministry of planning is unlikely to be effective unless it is elevated above other ministries and put under the jurisdiction of a chief executive or his deputy. If a planning ministry is effective mostly because it is close to a chief executive or his deputy, it is well to recognize that it is in fact a staff organization rather than a ministry.

²⁴ Furnivall, J. S. *Governance of Modern Burma*, p. 55.

²⁵ In November 1964, the United Kingdom set up a Department of Economic Affairs as its central planning agency with the Deputy Prime Minister at its head.

There is, therefore, little point in leaving it as a ministry which might, at a later time, lose its status when an ordinary minister is appointed as its head. This happened in Jamaica after a change in government.

SUMMARY AND CONCLUSIONS

Summing up, we find that the experts differ about the preferred administrative location for a central planning agency. Some authorities insist that a central planning agency must be located in the office of a chief executive, some feel that it should be a part of an existing ministry; others that it should be set up in a new ministry of planning; while still others consider it essential, at least in some countries, that a central planning agency operate as an autonomous body outside the regular government administration. There is, finally, a group which contends that a central planning agency can be located in any of these places if it can be made to work effectively.

It is questionable whether one location for a central planning agency exists which can meet the need of all countries at all times. A good case can be made for locating a central planning agency wherever a government leader is sufficiently interested and powerful enough to sponsor it effectively. But this approach has serious shortcomings. If the sponsor moves to another post, the planning agency must either move with him or remain where it was established. If it moves with the sponsor, it tends to become identified with him instead of with the government, thereby delaying its institutionalization; if it stays behind, it runs the risk of declining in importance.

In countries which are deeply committed to development planning, there is little doubt about the preferred location for a central planning agency. Where a country gives planning high priority, its central planning agency is almost invariably closely associated with its chief executive or council of ministers. Where central planning agencies have been established at other points because of the location of original sponsors or tradition, there has been an increasing tendency to shift them to the jurisdiction of the chief executive.

Because of the nature of planning, the trend could hardly be otherwise. Planning affects many vested interests inside and outside government. It is inevitable that the chief executive power in a country will be drawn into the planning process to make the basic decisions required to reconcile differences and enforce decisions for carrying out

development policy. In only a handful of countries has the chief executive found it possible to delegate real responsibility for planning to a subordinate.

Where to put the planning agency when a government is not yet deeply committed to planning becomes a matter of deciding whether to take the long- or short-term view. Those who take the long view contend that planning is likely to be institutionalized sooner than otherwise if it is put at the beginning under the chief executive, where it should be when the country begins to plan in earnest. Those who feel that the disruptive effects of moving a planning agency from one place to another are more than outweighed by good results obtained immediately, advocate putting a planning agency wherever it works well in the short run. It is hard to decide between these two opposing views as a general matter. Perhaps the most that can be said is that anything less than a close link between the chief executive power and a central planning agency is acceptable only as a temporary expedient.

Although experience does not provide a ready answer to the question of where to locate a central planning agency in every country and every time, it provides clues about some locations which should be avoided. Foremost among these is a location outside the regular government administration. A planning agency must be a government body if it is to express government policy.

Sometimes, with the aim of divorcing planning from political interference, planning machinery is set up in the form of an autonomous development board or corporation. But experience shows that the establishment of an independent planning agency often leads to its isolation from the rest of government, confusion of responsibility, unproductive rivalry and wasteful duplication. The main objection to attempts to insulate planning from politics through the use of an autonomous planning agency is that they are based on an assumption that development is determined by the number of projects completed instead of by changing basic attitudes, organization and practices. It is through the joint and repeated endeavors by which development plans are prepared and executed that these changes can be brought about and government machinery can be reoriented to act in increasingly rational ways. An autonomous planning agency, deliberately separated from a backward government, is hardly a suitable vehicle for bringing about the necessary changes.

Neither is a central planning agency located within a government but too low in the administrative hierarchy likely to exert the required

influence. Thus, a planning agency which is a subordinate unit in a ministry usually does not have the standing in government which it must have to do its job. It has also been found to be undesirable to put the planning function in a ministry which has operational functions. Not only does a planning agency which becomes a part of an existing ministry usually function at too low a level to carry out its responsibilities properly; not only is planning, an advisory function, an anomaly in an operating ministry; it must also try somehow to spread new ideas and modes of behavior from an old-line ministry which is devoted to precedent.

A ministry of finance is the commonest location among traditional ministries for a central planning agency. Many arguments can be adduced in favor of this location, but there are as many against it. The most important argument against putting a planning office in a ministry of finance is that a planning agency's approach to development is fundamentally different from that of a ministry of finance. Rather both approaches are useful and necessary. It is true that a minister of finance must be a friend of a central planning agency if a plan is to be co-ordinated with the budget, but this does not make it necessary or desirable that he be its boss!

Because of the shortcomings of traditional ministries as sites for central planning agencies, some countries have established new ministries solely concerned with planning. Despite some advantages over old-line agencies, planning ministries have not proven to be successful. Basically, this is because other ministers are not willing to grant another minister of equal rank authority over their own ministries. Available evidence makes it clear that a ministry of planning is unlikely to be effective unless it is raised to a level above other ministries. If this is done the agency comes, as a practical matter, under the direction of the chief executive or his deputy.