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**DEVELOPMENT
PLANNING
IN
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Douglas S. Paauw

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Foreword

This pamphlet introduces a new series in the National Planning Association's publications program, the *Planning Experience Series*, dealing with planning in less-developed countries. Publications in this series will be based upon research work performed in NPA's Center for Development Planning. An additional series of publications from this Center is anticipated under the title, *Planning Methods Series*.

The Center for Development Planning was established in 1963 to assist in meeting a pressing need to adapt methods and policies for accelerating economic development to conditions in the real world. The Center's research program is the first effort to examine, evaluate and improve systematically techniques for planning in less-developed countries. The two series of publications that are being introduced reflect the Center's approach to this task. Development Planning experience is studied to guide the search for new methods and to tailor existing planning techniques to problems and capabilities in less-developed countries. Both series will incorporate research findings from a combination of field and Washington-based research.

It is fitting that the first publication in the *Planning Experience Series* should be authored by Douglas S. Paauw who has been Director of the Center for Development Planning since its beginning.

JOHN MILLER
Executive Secretary
National Planning Association

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Preface

This paper is one of a series of broad surveys of development planning experience undertaken by NPA's Center for Development Planning. The purpose of these synoptic studies is to provide some basis for assessing the state of the art as it is now practiced. The approach is that of critical appraisal. In particular, there is a conscious effort to distinguish myth and symbolism from the realities of planning practice. This approach is warranted—in fact, urgently needed—because development planning, almost universally embraced by less developed countries, has taken on an aura of rather magical efficacy. Planning has been seized upon as a panacea for all economic ills. Aggregate plans embodying broad economic targets, ambitious investment programs, and hyperbolic social welfare goals have frequently been hastily adopted and announced, as if their mere existence would promote progress toward realization of unrealistic goals. There is a need to view development planning as a process of bringing a conscious and rational approach to the gradual solution of specific development problems in individual societies. Where development planning does not have this pragmatic, problem-solving quality, it tends to be more an artificial exercise than a means for promoting social and economic progress.

By its very nature, the present survey is unusually extensive in coverage. Many of the views expressed reflect impressions received during discussions at the Second Conference of Asian Planners, (October 19-26, 1964) in which the writer participated as a U. S. Delegate. Personal acquaintance with the planning process in individual countries is limited to several Southeast Asian countries in which interviews

were held during the summer of 1963. Intensive study of planning practice in all the countries in the ECAFE region and an attempt at comparative evaluation would require long studies in depth, beyond the resources of the Center for the Development Planning. There is a basic problem in the fact that published literature is largely irrelevant for a realistic assessment of planning practice in these countries. Such critical problems as the realities of plan implementation and the methodology that lies behind planning are rarely considered seriously in planning documents, or for that matter in any literature. In view of the inadequacy of our knowledge of what planning really consists of in less developed countries, we submit that even broad, impressionistic surveys are useful in evolving a perspective.

D.S.P.

Introduction

This broad, comparative survey presents the author's impressions of the state of development planning in the ECAFE Region.¹ The central questions concern the extent to which development planning is currently involved in a dynamic process of improvement and the ways to hasten the application of methods for more effectively guiding the important long-run decisions that all less developed countries inevitably take, either consciously or by default. In this spirit, the paper focuses on questions related to what might be termed "absorptive capacity" for improvement in making development strategy and related decisions more rationally. The position taken is that potential for improvement must be judged in terms of initial benchmarks and conscious awareness among leaders in less developed countries of the *realities* of their specific situations. The attack on reality requires both a willingness to undertake frank (and often painful) self-evaluation and a capacity to discern what concrete steps must be taken at a particular juncture. Above all, it requires conviction that intelligent action is possible and the courage to act on this conviction.

It is important to remember that the step between perception of what needs to be done and the determination to act where political and social constraints are great is a very large one. On leaving the national planning offices in early 1964, Sixto K. Roxas expressed this problem in dramatic terms in his report to the President of the Philippines. His perception of what was needed to come to grips

¹ The term "ECAFE Region" has come to be used in reference to those Asian nations presently associated with the United Nations Economic Commission for Asia and the Far East.

with the great issues of Philippine planning was most acute. His recommendations for action followed a strong indictment of past planning efforts summed up in these terms: "There has really been no national economic planning in this country. The Government organization is incapable of it."² Roxas' resignation was eloquent testimony that the government found itself unable to muster the determination needed to move forward despite clear perception and analysis of the central problems and despite a proposed realistic program of concrete action.

Though they may lack the determination to act, most less developed countries have readily embraced the concept of development planning. In doing so, their motivations are obviously complex. While this is not the place to investigate this intriguing issue, it should be noted that planning agencies frequently have been established, and plans constructed, as a result of external pressures. In some cases, planning facades have been thought necessary as a condition for foreign assistance; in others, these facades have been constructed for national prestige reasons, when government leaders felt it was necessary for their nation to conform to a stereotype picture of the enlightened less developed country. Where such motives have impelled the development planning stance, national leadership has been inclined to give grudging support. Economic development is unlikely to become an activity of highest national priority, or to win broad support within the government, where a plan or plan organization is merely another piece of the accepted paraphernalia of new statehood.

Recent empirical surveys reveal that problems of this kind are common obstacles to achieving the UN growth objectives for less developed countries during this Decade of Development.³ The central question is how to transform development planning into a realistic, new, and more effective approach to accelerate progress in developing countries. A large part of the answer must lie in the evaluations of planning efforts by the developing countries themselves. As a first condition for improvement, national leaders in less developed countries must develop an awareness of the gulf between present planning efforts and what might be done through determination, vision, and

² Sixto K. Roxas, *Organizing the Government for Economic Development Administration, A Report to His Excellency President Diosdado Macapagal*, Manila, February 29, 1964, page 1.

³ See, for example, Clair Wilcox, *The Planning and Execution of Economic Development in Southeast Asia* (Harvard University Center for International Affairs, Occasional Papers in International Affairs, No. 10, Cambridge, Mass., Center for International Affairs, January 1965) and Louis J. Walinsky, *Economic Development in Burma, 1951-1960* (New York: The Twentieth Century Fund, 1962) especially Chapter 30, p. 505.

growing sophistication. Present misconceptions must be disavowed; hyperbole must be scaled down to realistic capabilities; and the planning process must be moved from the periphery to the center of government activity.

In this context, the present survey represents an effort to evaluate both planning practice in the ECAFE area and the current state of Asian thought on Asian development planning. Progress in ideas must certainly precede improvement in actions, and among many countries in the ECAFE region there is a strong tendency to criticize the past development planning experience. We find a new willingness to take a fresh look at concepts and theories, and even ideology, in terms of their relevance and usefulness in promoting social and economic progress. This is likely to lead to a growing awareness of the significance of the type of issues raised above.

The harsh facts of the slow rate of Asian economic progress, it is alleged, have had much to do with this realistic indigenous appraisal of development planning and its results.⁴ On the other hand, the reaction to disappointing performance has not been uniform, as the following review will indicate. It would be more accurate to state, as a generalization, that a few pacesetters in the ECAFE region are beginning to exert a powerful influence toward moving development planning and its application from their symbolic status to a system for assisting decision makers in taking more effective, concrete actions to accelerate economic growth.

This review begins with broad characterizations of individual country groupings in the ECAFE area, an effort to classify many of the countries on the basis of the actual status of development planning in these countries. This is followed by a survey of the major issues of development strategy and planning methodology that are now moot in the ECAFE region. Here, too, significant country variations will be identified. In the concluding section, a number of neglected but important issues, and their importance in the ECAFE setting, are discussed.

⁴ U Nyun, Executive Secretary of the Economic Commission for Asia and the Far East, Opening Statement to Conference of Asian Planners, Bangkok, October 19, 1964.

1. Commitment to Planning

The ECAFE area covers a large number of less developed countries which vary considerably in size, economic endowments and economic potential, and pre-conditions for development, and national goals. Virtually all countries in the area have national development plans; moreover, there is a general attachment to the principle that economic development is an important national goal. Yet, there is wide variation in the role that development planning has assumed. In many countries of the area, development planning continues to be a rather elusive concept; aggregate national plans may have been drafted and promulgated, but they have little impact in terms of policy changes or execution of investment programs. Similarly, among the ECAFE countries, the involvement of governments and the dedication with which they support national planning show the widest disparity. Despite existence of formal plans, development planning in most countries does not represent a determined national commitment to accelerate economic development through rational and coordinated policies. Progress toward building development planning into a process having a pervasive and positive impact on growth dynamics in these societies has been very meager. Hence, it is not surprising to find that as development plans have mushroomed throughout the area during the past decade, growth rates have generally fallen and with few exceptions they have lagged behind plan targets.¹ In the ECAFE

¹ For evidence of the general decline in actual growth rates between the 1950s and the early years of the present decade, see ECAFE Secretariat, *Development Planning in ECAFE Countries in the Recent Past—Achievements, Problems and Policy Issues*, E/CN.11/CAEP.2/L.3, mimeographed paper prepared for the Conference of Asian Planners, Bangkok, September 24, 1964, Table 1, pp 7-8.

area there is a growing awareness of this paradox and Asian planners are exploring the question why development planning has brought so little success. There have been expressions of chagrin at the disappointing performance in the ECAFE area during a period when other developing regions appear to have done better. Considerable discussion at the 1964 Conference of Asian Planners was addressed to this point. Yet, much of the growing self-criticism has not yet penetrated to the heart of the difficulties that have prevented development planning from becoming a strong stimulant to economic growth and development.

There is evidence to suggest that at the heart of the problem lies the fact that economic development has not been espoused as *the* major national goal.² With few exceptions, major attention throughout the area, has focused on such goals as nation-building, international prestige, national security, and internal jockeying for political power, thereby diverting energies and resources from national concern with development planning.³ It might also be noted with alarm that regional insecurity seems to be increasing rather than diminishing. The Chinese Communist threat, the Indonesian challenge to Malaysia, and the Viet Cong threat in the Indo-Chinese peninsula all raise the probability that heightening international tensions will tend increasingly to deflect national energies from development efforts in the ECAFE countries.

The Development Planning Leaders

When viewing the ECAFE area as a whole, one cannot fail to identify two countries, India and Pakistan, as exceptional in terms of their commitment to development planning and in the scope and quality of the national effort that is being brought to bear on economic development problems. In these countries, aggregate plan formulation is now being done with relatively sophisticated techniques. There is a growing effort to link aggregate plans with sectoral and project breakdowns and to emphasize action programs, although this should not be taken to imply that these problems have been successfully solved. Given their size and complexity, these countries confront and will continue to face serious problems of implementation, project control, and progress reporting.

The feature of Indian and Pakistani planning which has greatest importance for the ECAFE area, however, is the growing accent

² Wilcox, *op. cit.*, p. 33

³ *Ibid.*, pp. 35-37.

on continuous evaluation and revision of planning. In both countries, these nascent evaluative processes have been addressed to issues of plan targets and planning methods, as well as questions of development strategy. This new stance of flexibility has meant a healthy retreat from dogmatic positions as they become recognized as obstacles to effective planning. In both countries, relatively drastic shifts in major plan priorities, tantamount to significant changes in development strategy, appear to be resulting in more realistic and effective development programs. The adoption of an increasingly flexible and realistic approach to planning by two of the most influential countries in the region has not gone unnoticed among observers in countries where planning as a national commitment is less firmly established.

This is not the place to discuss in detail the substance and merit of the recent results of these evaluation processes in India and Pakistan. We note, however, that both countries now issue a mid-plan review which surveys critically past achievements and failures. In both countries, these reviews emphasize implications for plan revisions emerging from a comparison of actual results with plan targets. Even more important, plan experience has led to a reconsideration and revision of basic development strategies implicit in past plans. Moreover, in both—perhaps in India somewhat more than in Pakistan—the same flexibility is built firmly into the process of formulating new plans. Again, a caveat is needed. Although there is a growing tendency toward conscious adaptation of development strategy and planning to the felt needs and actual conditions of these societies, the supporting analytical work is weak. It should be added that existing methodologies for a systematic performance of this difficult task are both scarce and unsatisfactory.

Two examples supporting the point of growing flexibility in approach are cited here. In the Indian situation, the impact of continuous reevaluation on both strategy and method can be best seen in the departure from the rigid assumptions of the Mahalanobis Model which has long been the core of the Indian approach. The unrealistic presumption that the Indian economy could be adequately energized from the center through emphasis on the public sector with tight controls over private enterprise has been gradually relaxed. In the Fourth Plan, now in preparation, it appears that this Mahalanobis specter will finally be completely laid to rest. Indian planners appear to believe that the new plan will give forthright emphasis to promotion of the private sector as the major vehicle of growth in the Indian economy. The policy implications are likely to involve not only an emphasis on decontrol of private economic activity but also the search

for additional ways to stimulate private initiative and agricultural expansion.

In the Pakistani case, it is noteworthy that a similar change in the government's attitude toward the private sector has begun to be reflected in planning.⁴ But the example to which we point here concerns a new departure in policy to attempt coordination of plans with financial and fiscal policies, specifically, to raise the economy's lagging savings rate. Within the past two years, the government has moved to coordinate efforts by the Planning Commission with those of other relevant agencies to aggressively promote domestic austerity, simultaneously strengthening institutions to mobilize savings. While extreme caution is needed in interpreting the savings data,⁵ it appears that the government's new policy, generated from experience, has had a dramatic impact on raising both Pakistan's marginal and average savings rates.⁶

Finally, in both India and Pakistan the support given by national governments to planning activities is unique among ECAFE countries. In both countries—in Pakistan more recently than in India—the government has come to provide unqualified support for planning activities. Albert Waterston observes that in the case of Pakistan, the transition from moderate government interest to strong support has been a key factor in strengthening planning functions.⁷ This centrality of the planning process has allowed an evolution from narrow public sector planning to an expanded role, including budgetary allocations, review and evaluation of plan implementation, and, as we noted above, a positive role in mobilizing domestic savings. Similarly, increasing political support has led to greater concern for the private sector, as well as efforts to integrate outlying regions more fully into the national development program.

The Small Effective Planners

While planning in Malaysia and China (Taiwan) does not yet compare with India and Pakistan in comprehensiveness, sophistication,

⁴ Albert Waterston, *Planning in Pakistan*, Baltimore, 1963, p. 138.

⁵ John H. Power, "Two Years of Pakistan's Second Plan," *Pakistan Development Review*, Vol. III, No. 1, Spring 1963, pp. 129-32.

⁶ Power cites the Planning Commission's estimates presented in *Mid-Plan Review of Progress in 1960/61-1961/62 Under the Second Five Year Plan*, showing a rise in the average savings rate from 5.6 percent in 1959/60 to 7.4 percent in 1961/62 implying a rise in the marginal savings rate from 7.4 percent to 38.6 percent. Power, however, estimates the more recent marginal savings rate to have been 27 percent. Power, *op. cit.*, pp. 130-132.

⁷ Waterston, *op. cit.*, pp. 133-134.

and national support, development planning in these countries shows real promise. In both there is a clear predisposition to lean basically upon private enterprise to provide the vehicle for economic growth and development. Hence, the role of planning is construed to be one in which the government will stimulate the growth dynamics of the private sector by providing social overhead capital, financial stability, and technical guidance, particularly for the benefit of lagging sectors in the economy. This realistic quality has imparted a problem-solving nature to planning activities of these countries.

In both cases, planning began by tackling problems at the micro-level and emphasizing the agricultural sector, with gradual progress toward establishing an aggregate planning framework. This bottom-up evolution has made problems of coordination between aggregate and micro planning less severe than in most other ECAFE countries where a top-down evolution is needed if coordination is to be effected. The pragmatic problem-solving approach has promoted the growth of a strong administrative structure to channel public resources into development projects with an emphasis on progress reporting, control, and close supervision of resource use.⁸ It should be noted, however, that these structures have grown gradually from their basic ministry—or sectoral—emphasis. In Taiwan, the Joint Commission for Rural Reconstruction early became the core of development planning efforts, later joined by working parties from other parts of the government. It is only now, with the imminent phasing out of U. S. assistance, that serious thought is being given to setting up a strong central planning unit. The evolution has been more or less comparable in Malaysia with the now effective central Economic Planning Unit established for coordinating sectoral programs after sectoral planning had become well established, particularly in the Ministry of Rural Development. There may well be some significance in the fact that in both "small effective planners" the initial impetus came from experience and success in the rural sector.

The rural emphasis in early development activities has had a positive impact on promoting productivity in what might otherwise have continued to be a lagging growth sector. In Malaysia, government programs have stimulated growth in the agricultural sector through improving productivity in the major export crop (rubber) and opening new lands. The state has also promoted adoption of improved techniques to enhance efficiency in traditional small scale agricultural activities. In

⁸ Malaysia had the advantage of an excellent administrative system, penetrating to the villages, developed to cope with security problems during the Emergency.

Taiwan, extension work and government assistance programs have significantly raised agricultural activity in both subsistence and export crops.

Recognizing the positive impact of these planned programs, government leaders in Malaysia and Taiwan have undertaken a commitment to more ambitious programs of development planning. As the tendency toward more aggregative planning has grown, however, the emphasis on relating aggregate planning to action programs has continued. In both countries there is concern with strengthening the link between projects, sector programs, and planning at the aggregate level; and in both there is a growing recognition of the importance of integrating development plans with annual budgetary operations. In Malaysia this process of evolution has produced what is undoubtedly the most effective system of progress reporting and project control to be found in any developing country.

The Free Enterprise Equivocators

The Philippines has toyed with development planning for almost a decade, having produced several plans, none of which have been taken seriously or implemented. Thailand is now in its first Six Year Plan. In both cases, planning has been a more or less academic venture with very little impact on decision making or action. Among the political elite generally there is a lack of feeling of urgency regarding development planning activities. In both countries, economic progress during the last decade has been relatively favorable, somewhere in the neighborhood of 6 percent per year in growth of aggregate product. Private enterprise has surged ahead to account for a substantial part of investment activity, while public sector activity has concentrated on providing investment in social overhead facilities—the latter being a consequence of ministerial activity, however, rather than of coordinated central planning.

Development planning in these countries has made little progress because of administrative obstacles which have failed to be overcome in the absence of a determined effort by the national leadership to establish a planning process. In part, this equivocation appears to be due to the fact that no planning framework has been developed appropriate to the basically private enterprise nature of these economies. In both, the announced plans have been addressed basically to public sector activity, failing to incorporate the important private sector into the planning framework. This failure to adapt planning to the nature of these economies and the actual problems they confront has also

been a major factor in preventing planning from obtaining widespread governmental and popular support. In this situation, the aggregate plans that have been produced have largely remained documents on the shelves of officials, providing little guidance to policy decisions or programs of action. Selection and execution of investment projects have been accomplished on an *ad hoc* basis, largely through ministries, completely divorced from the aggregate planning framework. Coordination of ministry programs has not occurred through either central supervision or the budgetary process. Ministry dominance over sectoral investment programs has been so complete that allocations suggested in plans have been defied openly, and this has been a major factor in preventing plans from becoming officially adopted. Yet, ministries are sorely lacking in trained personnel capable of translating sectoral programs into a consistent nexus of projects, or scheduling implementation on a systematic basis. Direction and supervision over these inefficient investment activities, such as a strong central planning agency might provide, are a prime need in the Philippines.

Moreover, the limited supply of technical competence in the planning field has not been efficiently utilized. Technical planning personnel have shifted from ministry to ministry, and continuity of working parties consolidating the planning process in a strong institution has not been possible. In fact, the opposite has been true. In both the Philippines and Thailand an impotent, cumbersome planning structure has evolved, leading to rivalry, attempted duplication of effort, and frequent turnover of personnel. In this situation, central planning offices are not taken seriously, and strong ministry heads often successfully avoid the discipline that central planners might otherwise impose.

If progress toward effective development planning is to be made, therefore, substantial institution building to organize simple, direct lines of authority is required. It is also essential that general planning methodology be carefully adapted to the particular problems of these free enterprise economies. Finally, the prime prerequisite is strong support from the Chief Executive to establish a role for a central, coordinating planning agency.

The prognosis currently looks somewhat better for Thailand than for the Philippines. Following the collapse of efforts to implement effectively the Four Year Social and Economic Development Plan in the Philippines—signaled by the resignation of Sixto K. Roxas from the National Economic Council in early 1964—a completely fresh start is needed. In Thailand, the current National Economic Development Plan (1961-66) has more or less survived, and a rather un-

critical mid-term review, outlining the program for the second phase (1964-66) was recently issued.⁹ This reevaluation is clearly cast in terms of sectoral (Department) surveys, and the lack of an effective aggregate framework is clearly apparent. Moreover, the sectoral programs do not appear to emphasize micro-planning of the kind that sparked improvement in the planning processes of Malaysia and China (Taiwan).

The Doctrinaire Nationalists

If development planning has had an air of unreality in Thailand and the Philippines, the free enterprise equivocators, this is even more true for the doctrinaire nationalists among ECAFE countries—Ceylon, Burma and Indonesia. In these, a nationalistic socialism calling for widespread government ownership and control of economic activity has been espoused as an ideology. There has been considerable experimentation with development planning, with little impact on policy formulation, investment programming or economic progress.

In general, these societies have concentrated on revamping traditional economic and political institutions grafted onto them during their colonial experience. In the resulting political and economic instability, conditions have not been conducive to the spread of rational development planning. Institutions to mobilize and allocate investment resources either through markets or public decision have been destroyed or eroded; they have not been replaced with effective new mechanisms to discharge these important development functions.

In another interpretation, planning has been so imbued with political overtones that the technical and institutional aspects of planning have suffered. Ideological and political diversions have caused these societies to utilize inefficiently their available supplies of technical personnel, their existing economic institutions, and even their existing economic capacity. Similarly, "plans" in these countries have had an unusually high political or noneconomic component. This has meant that an important, in some cases a dominant share of resources mobilized for public allocation has been used for purposes that have not raised productivity or output.

The doctrinaire nationalistic approach in these countries has appeared to have an adverse effect on economic incentives. Private sector performance has been sluggish and public institutions set up

⁹ National Economic Development Board, *The National Economic Development Plan, 1961-1966, Second Phase 1964-1966* (English edition), Bangkok, January 1964.

to replace private activities have not operated with efficiency adequate to offset the reduction of private initiative, entrepreneurship and management. During the past five years, over which the disavowal of rational approach to economic policy has been most apparent in these countries, growth rates have dropped sharply in all three—falling to near zero for both Ceylon and Indonesia.

While there is, of course, considerable variation among these countries, in general it can be said that the doctrinaire approach has produced a widening gap between announced goals and achievements. There is a wide gulf between what national leaders appear to anticipate from their national economic programs and what can be achieved through reliance on the new and rapidly changing public institutions to control and direct economic activities. Lack of realism in assessing both resource mobilization potential and capabilities for transforming resources into output-increasing investment has been a major characteristic of their programs. Couched in broad ideological terms, these programs do not focus upon issues of development strategy or planning methodology appropriate to solving the basic economic problem confronting these societies. Advances in planning institutions and methods to attack concrete problems have been meager. In Indonesia, the Eight Year Plan (1961-69) has been largely ignored, except for its value as a symbol of national aspiration. Similarly, in Burma, the Four Year Plan has been discarded, as a result of the military takeover.

While students of Ceylonese planning believe that a change in the right direction may be occurring in Ceylon, Burma and Indonesia still appear to be moving contrary to the general tendency in the ECAFE area to bring more realism and critical reevaluation of past failures to bear on improving the effectiveness of development planning.

This brief survey of a number of ECAFE countries, with an effort at grouping on the basis of the present status of planning, suggests that relatively complete systems of development planning as a firm national commitment have taken root in very few ECAFE countries. At best, this situation can be said to exist in India and Pakistan, with tendencies in this direction now apparent in Malaysia and China (Taiwan). Countries excluded from the discussion here would not alter this conclusion.

II. Development Planning Issues

Evaluation of Past Efforts and Progress

Throughout the ECAFE area there is now a deep concern about the region's mediocre growth performance in the recent past, the relative ineffectiveness of development planning, and the implications of these setbacks for the future.¹ National leaders in most of the ECAFE countries are acutely aware of the fact that these countries as a group have the world's lowest level of per capita income. They view with alarm the fact that, in general, the ECAFE countries have realized low growth rates relative to other developing areas, and that growth rates have shown a tendency to fall below those achieved during the 1950 decade. There is an awareness that Asia holds a major share of the world's population, and that the area has been experiencing the world's highest population growth rates.

Other aspects of inter-regional comparisons also trouble Asian planners. ECAFE leaders note with concern the fact that progress toward establishing regional cooperation to promote development efforts in their area is lagging behind progress in Latin America and Africa. In this sense, there appears to be a clear demonstration effect from other regional groupings of less developed countries to spur

¹ The discussion of development planning issues is based primarily upon the author's participation in the Second Conference of Asian Planners, Bangkok, October 1964. The Conference was attended by delegates from 16 Asian countries (including Iran), from 6 Western countries and the U.S.S.R. Two countries, Israel and West Germany, participated in a consultative capacity. Substantive items in the Conference agenda were three: (1) progress and problems in planned economic development; (2) long-term macro-economic projections for countries in the ECAFE region; and (3) approaches to regional harmonization of national development plans.

nominal or real efforts for improving ECAFE performance.

To a certain extent, these comparisons have produced a healthy attitude of self-criticism, leading to a search for causes of relative economic stagnation in the ECAFE area. Whether or not these new stirrings will bring greater realism and determination to planning in the ECAFE area remains to be seen. It is also too early to judge whether or not the demonstration effect pressures toward regional integration will moderate the present tendencies toward political (and hence economic) fragmentation.

The Secretariat's paper, presented to the Second Conference of Asian Planners on the subject of past failures and successes,² addressed itself to a review of the traditional bottlenecks to development. Major emphasis was given to the continued importance of domestic savings and foreign exchange as bottlenecks to rapid economic growth in most ECAFE countries. In the most positive section of the paper, the Secretariat put considerable stress upon lagging growth in the agricultural sector as a major factor depressing growth throughout the region.³ This theme became dominant in the Conference discussion concerning past failures. The Conference Report places strong emphasis on the importance of "a resurgence of the agricultural sector," pointing to such critical areas of action as incentives, extension services, land reform, and overhead capital to enhance agricultural productivity. The problem of labor unemployment and its correctives was noted in passing in the Secretariat review, while key factors in planning having to do with organization and entrepreneurship were touched upon with caution.

It should be observed that the Secretariat of an international organization is unlikely to present a frank and penetrating analysis of what, according to ECAFE leaders themselves, has been a disappointing experience with development planning in the ECAFE region. Yet, the Secretariat's paper was matched by an unusually frank spirit of self-criticism among country participants reviewing their own planning successes and failures. With few exceptions, country statements reflected apparently sincere efforts to share past failings in the hope of improving performance in the region as a whole.⁴ As a

² ECAFE Secretariat, *Development Planning in ECAFE Countries in the Recent Past—Achievements, Problems and Policy Issues*.

³ "It is now generally agreed that it is the poor performance of the agricultural sector which largely explains the failure of most economies of the region to grow as rapidly as desired." *Ibid.*, p. 51.

⁴ Of all the Asian less developed countries represented at the Conference, only Burma failed to make a statement reviewing past experience; in fact, there was no Burmese participation in any Conference discussion.

consequence of these discussions, the final Conference Report places somewhat greater stress than the Secretariat paper upon a realistic assessment of the obstacles to development planning in the ECAFE area.

Continuous Plan Review and Adjustment

The Indian delegation took the lead at the Conference of Asian Planners in prompting discussion on the importance for effective development planning of a continuous process of plan review and revision. It was noted that India has a system of annual plan reviews in each ministry, but that this system had not been particularly effective. These reviews involve beginning anew each year to survey bottlenecks and shortfalls, and the review process ordinarily takes three months. In addition, India now employs mid-term appraisal, with both facets of the review program resulting in a significant amount of plan adjustment. It is expected that plan review and control will be given greater attention in India's Fourth Five Year Plan than in the earlier plans. Current Indian thinking also appears to favor more careful time-phasing of development projects to promote systematic implementation. Finally, Indian planners stress that a good plan should contain those elements which make implementation feasible—a dichotomy between planning and implementation is erroneous, in their view.

Moreover, Indian planners recognize a need for improving techniques for review and control. A more automatic process of signaling potential shortfalls should be devised, and techniques enabling speedy corrective action are regarded as a complementary administrative requirement. Acknowledging that nationals must assume responsibility for choice of methods to be adopted, the Indian delegation suggested that "friendly foreign nations" might well have much to contribute in refining techniques in this area.

The general import of the Indian emphasis was well received at the Conference of Asian Planners and supported by statements from several countries. An undertone of criticism of existing efforts showed throughout the discussion. There was repetition of the point that planning must begin with the most realistic assessment of resources and capabilities possible, and that constant revision was needed to keep targets and achievements sufficiently related to avoid relegating the plan to an academic exercise. It was further agreed that the performance of implementation agencies should be carefully scrutinized by plan supervisors, and that officials responsible for executing plans or projects should be called to account for shortfalls and delays.

No statement was made by Malaysia, which has the most effective system of plan control and progress reporting in the ECAFE area. The ECAFE Secretariat was urgently encouraged to pursue vigorously the development of methods that would be useful for realistic plan evaluation in the Asian region. In this connection, the Secretariat's efforts to make a beginning—submitted to the Conference in a working paper—were subjected to rather harsh criticism on the grounds of being too academic and sophisticated for practical application.⁵

Agriculture Versus Industry

On the one hand, the prevailing view among Asian planners appeared to be that the specific issues should be settled on the basis of individual country characteristics, with regard to development priorities generally. On the other hand, there was no apparent disagreement with the ECAFE Secretariat position that priority should be given to improving agricultural productivity both by expanded investment and by improved incentives. The Indian delegation observed that this was more true for India, given the massiveness and inertia of its agricultural sector, than for any other country in the region. For this reason a substantial increase in investment inputs in agriculture is anticipated during the Fourth Five Year Plan.

The lesson which development economists have just begun to learn—that is that a developing economy cannot grow rapidly without support from its agricultural sector—appears to have also been learned in the ECAFE region. On the other hand, there was some disagreement about the wisdom of concentrating on agricultural development at the expense of industry, on the basis of relative comparative advantage—a position advanced by Thailand and Nepal.

In addition to the general issue of priorities for agriculture, there was considerable interest among planners at the Conference in the specific measures appropriate for agricultural advancement. Extension services to involve farmers in an action program were emphasized by China (Taiwan) where such efforts have had spectacular success. Notable in this regard was the stress placed upon incentive systems appropriate to stimulating agricultural output, a problem which has been largely neglected in the past throughout much of the ECAFE area. Even the Soviet Union's delegation concurred on this point.

⁵ In fact, the proposed ECAFE evaluation methods are oriented toward the macro-level, and are essentially tests of the accuracy of plan projections, i.e., of the critical assumptions built into the projection model. It is apparent that such techniques are hardly appropriate for tightening plan implementation at the sectoral and project levels.

The Private Sector

On the issue of the role of the private sector in the development planning process, Indian planners also made a strong plea for a more liberal and realistic approach. The position advanced was, in essence, that democratic planning involves reliance upon the private sector in the largest possible measure. This positive new stance toward the private sector will apparently be built into the Fourth Five Year Plan by stepping up the volume of assistance given private development efforts and by attempting to improve incentives for private entrepreneurship.

This is obviously a major issue in development strategy, and general support for the Indian position seems to suggest that the dogmatic socialist strain which has characterized so many past planning efforts in the ECAFE area is on the wane. There was no dissent from the Indian point of view. Rather, strong support was given to the principle of stimulating all components of mixed economies. In this connection, the emphasis on invigorating the private sector was reinforced by repeated reference to widening the scope of the plan impact. The case for linking central planning to widespread community activities and sparking maximum public participation was received with considerable enthusiasm.

If this new Asian thinking—and it should be stressed that this was the dominant *Asian* position—is followed by action, development strategies embodied in plans are likely to be substantially revised in countries other than India. Until now, virtually all Asian plans have had an unduly strong public sector bias, and nowhere has planning for private sector development been seriously attempted. There is great danger, therefore, in the possibility that shifts in emphasis will be precipitous. Here, too, zeal to implement a new philosophy may quickly outstrip capacity to effectively alter actual policies and programs. The writer's apprehension arises partly from the apparent gulf—at the present stage of Asian thinking—between endorsing a new broad approach and the specific policies and methods appropriate to realizing the approach. Little attention was given to the problems implicit in efforts to more effectively incorporate private sector activity into development plans. As noted below, discussion concerning long-run projections showed a tendency toward unreal abstraction, and the goal of using projection techniques to set and implement targets for the private sector was completely ignored. Similarly, problems of institutional arrangements to maximize the positive impact

of central programs on private investment and output were not broached. In fairness, however, it should be pointed out that it may be premature at this point to discuss the substance implied in the new approach sweeping the ECAFE region. Considerations of this type may be raised at the next stage of the discussion.

If these impressions are correct, current ECAFE experience points to this general area in development planning as one which should be accorded highest priorities in research work. Even in advanced countries, the art of coordinating public sector plans and private activities is undeveloped. There is urgent need to adapt existing methods quickly and to devise new ones, if ECAFE planners are to act successfully upon their current impulse to broaden the scope of planning by maximizing the extent to which private sector activities are involved in the planning processes.

Autarky Versus Cooperation

The Asian region has moved with great caution on the matter of regional economic cooperation. In the past the essence of regional cooperation has consisted of periodic consultation through international meetings, supplemented by a few joint development projects involving neighboring countries. The chief example of the latter is the Mekong River Project affecting the four riparian countries.

In recent years, the ECAFE Secretariat has encouraged more direct efforts to enlarge the scope of regional cooperation, and participating countries have shown some response. The Asian Institute for Economic Development and Planning was proposed by the first session of the Conference of Asian Planners in 1961, and became a reality in 1963. The Ministerial Conference on Asian Economic Cooperation, meeting in Manila in December 1963, authorized first steps toward establishing an Asian Development Bank. It is likely, however, that final agreement on a Regional Bank will take considerable time, since the political problems that must be resolved are both complex and delicate. On the other hand, the demonstration effect pressures from other regions already possessing a functioning Regional Bank are having a perceptible impact in prodding positive action.

The deeper issues concerning regional cooperation are just beginning to be explored by Asian planners. These issues involve patterns of long-run development strategy, the extent to which country autarky will be checked and country specialization promoted to expand potential intra-regional trade among the region's developing countries

from its present low level.⁶ The ECAFE Secretariat proposals to promote greater regional cooperation strongly favored emphasis upon harmonization of production plans by sector as the first priority.⁷ It was argued that trade liberalization alone would have little effect in expanding regional trade, since the structures of ECAFE economies tend to be more competitive than complementary.

In accordance with this bias, the Secretariat paper presented exploratory studies on the possibilities for "sectoral coordination of production," involving such products as iron and steel, fertilizers, natural rubber, jute, and rice. Apart from the expected declarations of support for the principle of maximum regional cooperation consistent with country sovereignty, the reactions of Asian planners to these proposals were so diffuse that a consensus on substance could scarcely be discerned. Yet, there seemed to be unmistakable recognition of the importance of relating economies of scale to development of large-scale industry as well as awareness of the folly of building excess industrial capacity in the region. There was also apparent agreement that equity in distribution of regional industrial potential might be accomplished by country specialization in stages of production within a given industry. If, for example, large countries with locational and raw material advantages for iron and steel production were to specialize in steel, smaller countries might specialize in production of finished steel products, or, alternatively, such a distinction might be drawn in terms of capital goods versus consumer goods. The ECAFE region will pursue studies to shed further light on these possibilities, under instructions to weight heavily the importance of providing for each country fields of specialization for future industrialization.

Despite some degree of concurrence on the principles of regional industrial development, there is considerable dissent from the ECAFE Secretariat position with regard to agriculture, particularly food products. The Secretariat paper pointed to the threats which food self-sufficiency drives posed to traditional rice exporters and also emphasized that expansion of food in deficit countries might be uneconomic in terms of alternative uses of resources. Asian planners, by and large, tend to reject this approach. There is a dominant view that countries are entitled to do as much as possible to encourage progress toward self-sufficiency in foodstuffs. The Indian position on

⁶ Intra-regional exports among the developing countries of the ECAFE region in fact declined from 26.2 percent of total exports in 1952-54 to 22.5 percent in 1960-62. ECAFE, *Approaches to Regional Harmonization of National Development Plans in Asia and The Far East*, Bangkok, September 1964, p. 9.

⁷ *Ibid.*, especially pp. 13-30.

this issue is that the prime importance of improving agricultural productivity dovetails with the necessity to avoid continuance of an onerous foreign exchange burden associated with food shortages. Given the pervasive new stress on revitalizing agriculture, therefore, ECAFE planners are loath to view programs to achieve self-sufficiency in foodstuffs as autarkic. It should be noted that this philosophy poses serious threats to achieving a viable pattern of specialization and trade among ECAFE countries. It is clearly inimical to the long-run interests of those countries which, being relatively efficient in the production of foodstuffs, choose to exploit their present comparative advantage in trade. On the other hand, it is reasonable to doubt that food self-sufficiency intentions in some countries will actually bear fruit in the near future.⁸

The Role of Foreign Assistance

Asian planners, by and large, represent the view that foreign assistance has an important role to play in development programs. They recognize that the countries showing most rapid growth in their area have received large amounts of foreign assistance. There is also a growing conviction that foreign assistance must be more carefully woven into domestic planning to accelerate country self-help efforts. The Indonesian view that foreign assistance has many drawbacks apparently receives little overt support among Asian planners in non-Communist countries. In the current Indonesian view, substantial dependence on foreign aid for development momentum places recipient countries in a vulnerable position. This implies independence from foreign assistance as a policy objective.

Foreign assistance is viewed by Asian planners generally as critical in terms of the total foreign exchange requirements of development programs. This implies a prevailing view that in the ECAFE region the foreign exchange bottleneck is a more serious obstacle to development than the domestic savings bottleneck. Yet, there is awareness of the limitations to foreign capital inflows resulting from domestic absorptive capacity. While there is some resistance to the notion that foreign assistance should be tied to the finance of particular development projects, the failure of many countries to generate a flow of suitable development projects is viewed as a matter of great concern.

In addition to underlining the capital component of foreign assistance, Asian planners see an important role for technical assistance.

⁸ In the case of Indonesia, for example, an intention to become self-sufficient in food within one year was reiterated at the Conference. Realistic assessment on the basis of past performance, however, suggests that only gradual reduction of food imports will actually be possible.

Priorities in this connection appear to include assistance in planning itself, especially in plan implementation and evaluation techniques, assistance in improving data for planning—a problem which received considerable emphasis at the Conference of Asian Planners—and assistance for developing training programs for personnel involved in all aspects of planning, particularly those concerned with plan execution.

Long-Run Economic Projections

Most less developed countries of the ECAFE region have prepared long-run projections in connection with one or another of their economic plans. In addition, the ECAFE Secretariat has recently issued its own projections of long-run growth for 10 countries.⁹ Reviews of these efforts by both the Secretariat and a working party of experts were presented to the Conference of Asian Planners to serve as the basis for discussion.¹⁰

The ECAFE Secretariat put forth the view that, since long-run projections are designed to assist the development planner in formulating development policy, "extrapolation based on the coefficients or structural relationships derived from the past time series will be far from adequate."¹¹ Following this observation, a strong case is made for "policy oriented" projections, in the context of a model which clearly distinguishes among target variables, structural coefficients, policy instruments, and exogenous elements.¹² The Secretariat paper presents two alternative projection models (one a Harrod-Domar type and one a more typical Keynesian type). Alternative country projections were developed from the application of these models, in most cases employing both past and modified parameters, the latter including the presumed impact of policy changes. In reviewing the Secretariat findings by country, the expert working party compared these with country projections (where available) and in some cases added their own revised projections. This bewildering assortment of long-run projections for many countries was presented to the Conference with differences in assumptions clearly specified in most cases, but—almost

⁹ Burma, Ceylon, China (Taiwan), India, Indonesia, the Republic of Korea, Malaysia, Pakistan, the Philippines, and Thailand.

¹⁰ ECAFE "Review of Long-Term Economic Projections for Selected Countries of the ECAFE Region: Report by the Fourth Group of Experts on Programming Techniques," E/CN.11/CAEP.2/L.4; and ECAFE, "Review of Long-Term Macro-Economic Projections for Selected Countries of the ECAFE Region, Addendum," E/CN.11/CAEP.2/L.4 Add. 1.

¹¹ *Ibid.*, Addendum, pp. 3-4.

¹² *Ibid.*, p. 4.

inevitably—with inadequate justification for any particular set of assumptions.

It might appear that Asian planners were suddenly confronted with an embarrassment of riches, with many sets of long-run growth projections for several ECAFE countries. In the judgment of the present writer, however, the opposite is true. Many factors contribute to this unsatisfactory state of long-run projections for ECAFE countries, but chief among them is clearly the lack of depth of the presently available estimates.

The problems of the quality of these projections can be reduced to two general categories. In one category are problems of methodology, a matter of applying projection models that are not well adapted to the special features of each economy. In this regard, the ECAFE attempt to evolve a standard ECAFE model may be viewed as more of a hindrance than a contribution to improved growth projections. If a case could be made for the application of a standard model, with minor adjustments for country applications, question would then have to be raised as to whether or not the ECAFE model is the "ideal" one for the entire region. Several features of the most generally applied ECAFE model, the Harrod-Domar type,¹⁸ would appear to disqualify it for this role. First, the ECAFE model contains no explicit savings function, employing rather a Keynesian type consumption function. This obscures the savings policy considerations, making it virtually impossible to incorporate within the model savings behavior assumptions where this might be done if relevant data and analysis were available. Yet, the ECAFE Secretariat singles out the domestic savings problem as one of the two most critical, continuing obstacles to growth in the region. Secondly, with regard to the other major bottleneck stressed by ECAFE, i.e., the shortage of foreign exchange, the ECAFE model is also weak on both the export and import side. Most economies of the ECAFE region are heavily involved in the world market, showing high ratios of exports to total products. Yet, the ECAFE projection model gives no explicit recognition to this important role of exports; they are not built into the model in a functional way. Moreover, it is difficult to anticipate terms of trade and to make allowance for their effects. Similarly, on the import side, the model operates with a general relationship between imports and total output while it is unlikely that such a behavioral

¹⁸ There was agreement among participants at the Conference of Asian Planners that the other ECAFE projection model, the Keynesian type, was inappropriate for the less developed countries of the region. The leader of the discussion on this subject, Professor Jan Tinbergen, took the initiative in expressing this view.

relationship exists in most of the ECAFE countries. Finally, given the high rates of population growth in the area, it would seem desirable to view growth requirements in terms of per capita income and consumption objectives. The ECAFE model, however, is formulated exclusively in terms of aggregate growth targets.

To put the argument in another way, the aggregate projection models currently used in the ECAFE region fail, with few exceptions, to formulate the critical relationships in such a way that policy conclusions are directly apparent. This is due in part to the fact that, given data capacities of most less developed countries, it is not possible to go beyond aggregate projection models with only the broadest structural relationships. Despite this limitation, however, some degree of adapting the model structure to emphasize an economy's most pressing development problems is possible. In Indonesia, for example, where the level of production has been closely related to the volume of raw materials and spare parts imported, the ECAFE model's formulation of the production function in terms of a direct capital-output relationship is obviously misleading, at least in the short-run.

Given problems of this nature, one may legitimately question whether efforts devoted to producing a variety of alternative projections with slightly differing assumptions make the best use of available talent. It would appear that intensive country studies are needed to improve the quality of projections, first, by providing information to guide the construction of the most appropriate projection model, and secondly, by providing improved estimates of the critical parameters in the resultant model. This brings us to the second category of factors that have impeded progress toward better long-run projections in the region—those having to do with underlying data.

It will be apparent from the discussion that many discrepancies in results among available long-run projections for ECAFE countries may be accounted for by the variety of alternative guesses about parameter values, their sensitivity to policy measures, and assumptions that policy decisions of one kind or another will be made. Here we stress an almost intuitively obvious point; differences of this kind can only be settled by intensive country studies, concerned not only with improving basic data supporting estimates of aggregate variables, but also with providing a basis for judging the likelihood and feasibility of major policy decisions that will have one or another effect on important determinants of long-run growth.

In this context, we consider a basic issue that was noted at the Conference of Asian Planners; i.e., what is the appropriate role of an international economic agency, such as ECAFE, with regard to

long-run economic projections within its region? Asian planners expressed reservations about the wisdom of published ECAFE country projections involving the Secretariat's judgment of policy factors that affect the outcome. Where the ECAFE judgment results in a more pessimistic prognostication of growth than the country plans, as in the Indian case, adverse repercussions on potential assistance agencies was feared. Where ECAFE projections yield relatively optimistic results, compared to a forecast from past parameters or what might be reasonable from the country point of view (e.g., Indonesia), unfavorable effects on political pressures for improvement were feared. There was also an indication that popular disaffection with actual performance might result from this situation.

Two conclusions seem to be implied. First, if ECAFE is to continue country projections, these might best be confined to straightforward projections from past trends, uniformly for all countries, with all projections involving policy choices left to country planning agencies.¹⁴ Alternatively, if policy-oriented projections are to be continued by the Secretariat, intensive consultation with country authorities seems desirable, and agreement upon the policy judgments and their effect on the relevant parameters should be reached before the Secretariat's projections are finalized.

Secondly, Asian planners expressed great interest in the ECAFE Secretariat's efforts to develop regional projections. Hence, ECAFE's longer-term function in the projection field might best consist of a combination of technical assistance to countries to improve country projections and its own continuing work on projections of long-run growth in the ECAFE region as a whole. It should be noted that reliable regional projections require improvements in country projections, whether done on an aggregate or sectoral basis.

¹⁴ In this connection, Asian planners show considerable disagreement about usefulness of straightforward forecasts for planning purposes.

III. Conclusions

Dissatisfaction with the previous record has led to a reassessment of strategic premises in development policy rather than of tactical issues in strengthening planning operations. Such reappraisal is appropriate to the present state of planning in most countries of the ECAFE region. In only a few countries planning has proceeded far enough to make issues of methods relevant to improving planning operations. In these few countries, however, the technical limits to effective operational planning are becoming apparent, and problems posed by inadequacies of data are raised most sharply. Elsewhere, a large measure of improvement in planning is possible on the basis of present knowledge, though technical and data horizons should be expanded if rapid and persistent economic progress is desired in the future.

It is apparent, therefore, that the status of planning in ECAFE countries and the major issues that now occupy the minds of Asian planners are inevitably related. The issues focus more upon basic questions of development strategy than techniques of planning. The technical planning questions—even the basic problem of long-run projection methods most appropriate for guiding planning decisions—are regarded as matters of importance in very few countries of the ECAFE area. Development planning experience in most ECAFE countries has not yet made such technical problems relevant. In the few countries where there has been a serious commitment to development planning, however, there is a realization that planning methods must be improved to guide policy decisions more effectively and to improve the achievement of plan targets.

By and large, however, the issues still concern the underlying strategies most appropriate to accelerating economic growth in the ECAFE region. There is a growing awareness that development must involve the entire society; the easy assumption that public sector activity could open the way to rapid industrial growth, pulling along the whole society, is in process of being reluctantly discarded. Much has been learned from the experience of India and Pakistan—and from Communist China's planning reverses as well. In particular, ECAFE countries show an increasing concern with the importance of relying upon agriculture as well as industry and upon private as well as public activity to provide a forward momentum in their economies. In most ECAFE countries the more practical difficulties of harnessing national resources to energize their total societies are yet to be aggressively tackled. These difficulties will come to the fore if and when development planning institutions become a new center of gravity.

When the more practical stage of determined action is reached, important planning issues that now appear to be neglected will be uncovered. Chief among these is the problem of explicitly taking into account the area's rapid rate of population growth. Development requirements must reckon with these high rates of population growth if the low levels of per capita income and consumption are to be raised. Planning in these terms will lead to another neglected aspect of prime importance—the matter of raising domestic savings rates through practicing greater domestic austerity. In the absence of concrete austerity policies and measures in most ECAFE countries, average savings rates have remained stable or have fallen during the past decade. A major issue concerns the sources from which developing societies will mobilize the needed increases in domestic savings. Present thinking in most countries of the ECAFE region goes little beyond recognition of the savings bottleneck; attention has not yet begun to focus clearly upon the necessity of adopting strong programs of action to substantially raise both domestic savings and the capacity to absorb them productively. Foreign capital assistance will contribute to progress toward self-sufficient growth only after these basic internal problems are resolved.

Finally, despite substantial progress in a few ECAFE countries, integration of plans and action is still one of the region's most neglected problems. A major lesson from Malaysia's and Taiwan's experience is that emphasis on action programs can be effective in widening the impact of planning within a society as a whole. This suggests that efforts to strengthen project execution and control,

ministry by ministry, may be a means to the end of inculcating the planning habit on an increasingly broad scale. Similarly, an emphasis on building planning and progress reporting into capital budgets may well pave the way for gradually expanding the time horizon for planning annual allocation of resources to lengthening periods. Progress in moving downward from aggregate plans to guiding action at micro-levels has proceeded so slowly in the ECAFE area that pressures generated by wide participation are needed to make planning meaningful and effective in an area where disappointing performance has focused critical attention on the whole process.