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NATIONAL PLANNING ASSOCIATION

1606 NEW HAMPSHIRE AVE., N.W., WASHINGTON, D.C. 20009

Columbia 5-7685
CABLE: NATPLAN

December 28, 1966

Mr. Erik Thorbecke
Agency for International Development
Room 3889 - New State
Washington, D. C. - 20523

Dear Mr. Thorbecke:

In accordance with our contract AID/Repas-9, as amended (Amendment #4, Article I. C. 2a), which requires this Association to submit interim administrative progress reports semi-annually, I am pleased to send you the enclosed review of work performed in the Development Planning Project of our Center for Development Planning since our last report of June 28, 1966.

Sincerely yours,

John Miller
John Miller
Executive Secretary

Enclosure

**Semi-Annual Interim Administrative Progress Report,
June 29, 1966, to December 28, 1966**

INTRODUCTION

This report covers the activities of the Development Planning Project of the Center for Development Planning, National Planning Association, for the period June 29 through December 28, 1966. It is submitted in accordance with the contract between the National Planning Association and the Agency for International Development, AID/Repas-9, Amendment #4, Article I. C. 2(a).

**I. RESEARCH ADVISORY COMMITTEE MEETING AND EVALUATION
OF SUBSTANTIVE PROGRESS**

On October 19 and 20, the Project's Research Advisory Committee met in Manila. A list of participants is attached. AID representation included Wesley C. Haraldson, Director, Ernest E. Neal, Deputy Director, and Robert L. Gordon, Program Officer, all of USAID/Manila, and Laurence D. Stifel, Economic Adviser, USAID/Thailand. We trust that the Agency has received reports from these representatives.

In advance of the meeting, a detailed Review was prepared by the Project and circulated to all participants. This Review presented descriptions of current research projects and research plans for the

short-run future. Since the Review still reflects the nature of our present work, we do not duplicate the detailed reports of our substantive work in the present Progress Report. Thirty-five copies were submitted to AID/Washington, and the interested reader may consult the Review for our description of our current work.

Discussions at the Research Advisory Committee meeting indicated encouragement to continue the work described in the Review. No major changes in research directions or individual projects were recommended, although some priorities among alternative individual studies emerged. Many useful points were offered by the participants. There was some concern that Project staff were becoming too deeply involved in data studies, per se. The Committee appeared satisfied, however, with the Project's general view on attention to data and statistical problems; i. e., that investigation and evaluation of quality of data employed are encouraged where minimum efforts are likely to yield significant improvements in supporting the analysis to be applied to data.

The Committee also expressed interest in the problem of relating individual studies to the Project's overall framework for analysis of open dualistic economies. The Project Director suggested that he was aware of this problem and is stressing communication among staff members to promote coordination of their work. The Committee recommended a

number of devices to facilitate linking the Project's aggregate, sectoral, and micro studies. One device of this type which the Project is experimenting with is the use of "associated accounts" for sectoral and other breakdowns. These more detailed accounts are consistent with the aggregated accounts, allowing the analyst to shift back and forth between aggregated and disaggregated levels of analysis. Project staff meetings for substantive discussions are held bi-weekly for Manila staff, and meetings of all field staff (Philippines and Thailand) will continue to be held periodically.

As the main example of Committee advice on sharpening priorities, we cite the work of Forrest Cookson as presented in the "Review for Research Advisory Committee," pages 47-69. The Committee expressed some concern about the number of studies Cookson had undertaken at the request of the Thai government (Integration of the Budget Process,¹ Forecasts of Thai Economic Growth,² and Factor Shares.³) Discussion of priorities mainly concerned Cookson's proposed future research as presented in the Review write-up. The Committee recommended that Cookson's short-run field work plan continue to

¹Review for Research Advisory Committee, pp. 61-62.

²Review for Research Advisory Committee, pp. 63-64.

³Review for Research Advisory Committee, p. 64.

emphasize empirical application of the Project's analytical framework, both for the expected results in terms of the dynamics of the Thai economy and as a basis for comparative analysis between Thailand and the Philippines. In view of the indefinite status of the renewal proposal (and, hence, the length of time in the field), the Committee discouraged Cookson from beginning intensive work on any of the new proposals presented in the Review (pp. 64-69). This recommendation is being followed.

An executive session, involving only the five Research Advisory Committee members and the Project Director, was held on the final afternoon of the meeting. Mr. Robert L. Gordon was invited to attend to provide an opportunity for him (as AID/Washington representative) to hear the Committee's frank evaluation of the Project's current work. Helpful advice was obtained with reference to the conduct of individual research studies, and the Project Director has acted on several of the Committee's recommendations.

With benefit of the Research Advisory Committee's guidance, the Project's field staff continue with intensive field research on the individual studies described in the Review. As soon as a decision on the renewal proposal is forthcoming, individual research plans will be tailored --to the extent possible--to meet the resulting timing conditions. In the

meantime, interim research reports ("Field Work Reports") will continue to be submitted to the Agency. Several new reports are now in draft, in various stages of preparation for submission. Some require clearance with the host government because access to relatively confidential materials has been provided in some cases.

II. STAFF

The location of the Project's professional staff continues to be the same as shown in my last report. The only exception concerns the resignation of J. Price Gittinger as Associate Director on September 30. Dr. Gittinger has accepted a position with the Economic Development Institute at the World Bank. Efforts to replace Dr. Gittinger have been unsuccessful since the Project has been unable to offer an appointment beyond September 30, 1967. (See V, Renewal Negotiations, below.)

III. ACTIVITIES IN FIELD STUDY COUNTRIES

We take the opportunity in this report to describe the Development Planning Project's impact in the Philippines and Thailand through activities other than direct research. Considerable effort has been devoted to maintaining an open and cooperative relationship with government and academic personnel in both countries. The Project

position on this important issue is that the expertise of its personnel should be made available to local nationals to meet their reasonable requests, that a maximum amount of exchange is desirable between Project staff and interested local colleagues, and that every effort should be made to keep local nationals informed of the nature of our research and its progress. We further believe that activities to support the development of these important relationships should be relatively informal and that they should be conducted on a professional basis with minimum political involvement and publicity. This philosophy of conducting research in foreign countries has been followed since the beginning of our field work, and we find that our empirical work has thrived as local cooperation has strengthened. Equally important, we have benefited greatly from the advice and criticism of local experts.

Our first effort to develop strong local ties in both countries was reflected in affiliating with Universities. As reported previously, cooperative arrangements have been set up with the School of Economics, University of the Philippines, and the Faculty of Economics, Thammasat University in Thailand. We were deeply gratified that the Deans of these institutions, Amado Castro and Puey Ungphakorn, participated in our October Research Advisory Committee meeting.

Both universities have generously provided space and related facilities as well as research assistant personnel, while the Project has accepted responsibility for participating in relevant university training functions. In the Philippines, Project staff members lecture in the University's Training Program in Development Economics.⁴ Requests for Project participation in this program are limited to those areas of instruction (particularly planning) in which Project capabilities and expertise are recognized and in which University of Wisconsin and University of the Philippines staff are not available. Similarly, at Thammasat University, Project staff assist in training a group of young economists recently recruited for instructional and research functions. Training activities provided by the Project to Thammasat University have included both lectures and research direction.

The University affiliations have led to the use of many project materials for local training purposes. At the University of the Philippines, for example, the Tryon-Cookson manuscript, A Critical Survey of Project Planning, (submitted to AID in March, 1966) serves as the basic student

⁴ The Training Program in Development Economics is jointly operated by the University of Wisconsin and the University of the Philippines under a Ford Foundation grant.

reading in the Training Program's Course on Project Planning. Other Project materials used in the Training Program include Tryon, The Coordination of Sectoral and Aggregate Plans (submitted to AID in June, 1966); John C. H. Fei and Douglas S. Paauw, "Foreign Assistance and Self-Help: A Reappraisal of Development Finance," a reprint from Review of Economics and Statistics, August, 1965; Douglas S. Paauw and Forrest E. Cookson, Planning Capital Inflows for Southeast Asia (NPA, Planning Methods Series No. 3, September, 1966), and several others. Similarly, many Project materials have been requested for use in the Rockefeller Training Program at Thammasat University and the newly established National Institute for Development Administration in Bangkok.⁵

Considerable interest in the Project's analytical framework and the related studies has been demonstrated in both countries. In Thailand, several seminars for University students and government officials have been held. Currently, a series of seminars is underway to explain the Project's national income accounting framework and its application to Thailand. Thai officials have expressed interest in this exercise as a method to train their developing young economists in quantitative,

⁵The National Institute for Development Administration is assisted by the Midwest University Consortium under Ford Foundation financing.

empirical research. In the Philippines, Project staff members present frequent seminars on their current work in the regular School of Economics Seminar Series. In addition, Project personnel have participated in local conferences related to the Project's research activities. On December 9-10, for example, Dr. Paauw and Dr. Tryon presented a paper entitled "Agriculture-Industry Relationships in an Open Dualistic Economy: The Philippines" at a conference on The Growth of Philippine Output sponsored by the University of the Philippines.

In both the Philippines and Thailand, government officials have requested consultations with Project personnel on technical planning matters as well as policy issues. The Project has tried to respond quietly and conscientiously. Considerable assistance has been provided to Thailand's National Economic Development Board in preparation of the new Thai Economic Plan. The Thailand team has also been available for consultations with the Agro-Business Committee (joint Thai-USAID) and for discussion of ECAFE's current review of financial aspects of economic development. In the Philippines, technical consultations have been frequently held with both the Presidential Economic Staff (formerly Program Implementation Agency) and the National Economic Council. The staff had also been consulted on the Four-Year Economic Program and, more recently, on reformulation of agricultural development aspects of

that program. In many ways, consultations of these types allow Project staff members to gain insights from those involved with operational and policy decisions at great benefit to our research. Opportunities to begin applying our research results are also presented. In this context, our preliminary research results have been fully discussed with appropriate local experts, and written papers have been distributed to all interested parties.

We believe that our research philosophy of maximum involvement with local colleagues has promoted a healthy and growing exchange in both field study countries. Though our main interest is completion of our centrally-financed research, we will continue to devote time and resources to leaving a part of our final product in the countries which have provided the opportunity and cooperation without which field work cannot succeed.

IV. INDONESIA: CONSULTATIONS

In response to a request from the U. S. Embassy in Djakarta and with concurrence of AID, Dr. Paauw (and possibly other Project staff members) will be made available to consult with Indonesian authorities concerned with stabilization activities. The first consultation of this type took place during the present reporting period, with Dr. Paauw spending one week in Djakarta in late September. Several memoranda were

submitted to Indonesian authorities on stabilization problems of immediate concern to the authorities. Additional consultations may be provided, as requested by the appropriate Indonesian authorities and approved by the U. S. Embassy.

V. RENEWAL NEGOTIATIONS

On July 25, the National Planning Association submitted a proposal for a three-year extension of the Development Planning contract. In preliminary discussions with the Agency, it was emphasized that annual extensions are not conducive to the staffing needs for intensive field work. We also urged that a decision be made early enough to permit us to make staffing arrangements for the period following September, 1967.

We now face a serious problem of maintaining staff for intensive field work. We are aware of the Agency's budgetary difficulties which appear to make it necessary to limit additional financing to a one-year period beyond September, 1967. The combination of late notification of a decision and the short-term of additional financing, now being discussed, however, severely hamper our capacity to continue intensive empirical work in the Philippines and Thailand.

VI. PAPERS AND PUBLICATIONS SUBMITTED

A. During the period under review, the following preliminary papers were submitted to the Agency:

Forrest E. Cookson, "The Dynamics of the Thai Economy-- An Application of the Open, Dualistic Economy National Income Accounting Framework," July 1966.

Douglas S. Paauw and John C. H. Fei, "The Open Dualistic Economy: Patterns of Development," August 1966.

John C. H. Fei and Douglas S. Paauw, "Analysis of the Open Dualistic Economy: An Application to the Philippines," August 1966.

George L. Hicks, "Philippine Foreign Trade, 1950-1965: Basic Data and Major Characteristics," September, 1966.

Joseph L. Tryon, "Intersectoral Flows and Capital Transfers," September 1966.

Eugene Crasberg, "Development-Project Format: a Design for Maximum Implementation," Chapters I, II, and an Appendix, December 1966.

J. Price Gittinger, "Classified Bibliography on Agricultural Planning," December 1966.

B. The following completed publications were submitted:

Douglas S. Paauw and Forrest E. Cookson, Planning Capital Inflows for Southeast Asia, Planning Methods Series No. 3, September 1966.

J. Price Gittinger, The Literature of Agricultural Planning, Planning Methods Series No. 4, September 1966.

Eliezar B. Ayal, "Private Enterprise and Economic Progress in Thailand" (Reprint from The Journal of Asian Studies, November, 1966), December 1966.

VII. EXPENDITURES MADE DURING THE PERIOD

The National Planning Association has submitted to the Office of the Comptroller, AID, a completed Form 1034, Public Voucher for Purchases and Services other than Personnel, at the end of each month in the reporting period covering the expenditures allocable to Contract AID/Repas-9. Attached is a summary of these reports in fulfillment of the reporting requirement for a detailed accounting of expenditures under the contract.

CENTER FOR DEVELOPMENT PLANNING - NATIONAL PLANNING ASSOCIATION
EXPENDITURES FOR PERIOD JUNE 1 THROUGH NOVEMBER 30, 1966

Budget Item	Expenditures June 1966	Expenditures July 1966	Expenditures August 1966	Expenditures Sept., 1966	Expenditures Oct., 1966	Expenditures Nov., 1966
Gross Pay (U. S. only)	\$ 6,159.04	\$ 7,377.04	\$ 8,655.61	\$ 7,804.75	\$ 6,352.42	\$ 7,147.93
Base Pay (Overseas only)	8,527.78	8,527.78	8,581.91	3,545.23	8,718.78	8,718.78
Allowances	3,052.73	5,448.53	4,901.63	3,548.62	2,986.31	5,664.90
Travel and Transportation	1,495.58	681.37	4,411.22	1,412.23	2,267.46	4,752.17
Equipment & Furnishings	35.00	358.44	137.11	15.00	161.00	21.00
Rents and Utilities	1,276.32	1,160.31	1,269.02	1,128.13	1,211.72	1,324.95
Outside Consultants	-	-	-	2,115.00	-	-
Research Consultants	-	-	-	-	-	11,137.56
Printing and Publishing	105.74	56.00	-	304.00	87.00	62.00
Subcontracts	4,212.81	-	-	-	-	-
Other Direct Costs	777.08	973.64	3,391.51	1,268.50	2,244.75	1,725.99
Overhead to NPA	4,845.19	4,918.99	5,344.37	3,561.09	4,643.41	4,932.97
	<u>\$30,487.27</u>	<u>\$30,082.10</u>	<u>\$36,692.39</u>	<u>\$24,702.55</u>	<u>\$28,677.85</u>	<u>\$45,458.25</u>

Cumulative Expenditures

November 1966

Gross Pay (U. S. only)	\$ 431,084.09
Base Pay (Overseas only)	107,394.51
Allowances	86,749.36
Travel and Transportation	75,159.23
Equipment & Furnishings	12,918.37
Rents and Utilities	50,788.74
Outside Consultants	16,659.68
Research Consultants	13,162.60
Printing and Publishing	7,947.94
Subcontracts	20,652.73
Other Direct Costs	42,305.00
Overhead to NPA	151,781.12
	<u>\$1,072,633.37</u>

Participants and Observers at NPA Research Advisory Committee
Meeting, Manila, October 19-20, 1966

COMMITTEE MEMBERS

Lloyd G. Reynolds, Chairman
Director, Economic Growth Center
Yale University

Harvey S. Perloff
Director, Regional Urban Studies
Resources for the Future

Stefan Robock
Director, International Business Studies
Graduate School of Business
Indiana University

Hans W. Singer
Special Advisor to the Under-Secretary
for Economic and Social Affairs,
United Nations

Albert Waterston
Senior Development Advisor in Charge
of Planning Project
International Bank for Reconstruction
and Development, Washington, D. C.

NPA STAFF

Douglas S. Paauw
Director, Center for Development Planning

Alek A. Rozental
Staff member

Eugene R. Grasberg
Staff member

Eliezer B. Ayal
Staff member

Joseph L. Tryon
Staff member

Forrest E. Cookson, Jr.
Staff member

George L. Hicks
Staff member

John C. H. Fei
Consultant

Mrs. Jennie P. Payne
Administrative Officer

AID/MANILA

Wesley C. Haraldson
Mission Director

Ernest E. Neal
Deputy Mission Director

Robert L. Gordon
Chief Economic Advisor and Program Officer

AID/THAILAND

Laurence D. Stifel
Economic Adviser

PHILIPPINES

Amado A. Castro
Dean, School of Economics
University of the Philippines

Placido L. Mapa, Jr.
Director-General
Presidential Economic Staff

Accompanying Dr. Mapa:
Jose L. Javier
Director, General Funds Office
Presidential Economic Staff

Octavio Espiritu, Chief Economist
Presidential Economic Staff

THAILAND

Puey Ungphakorn
Dean, Faculty of Economics
Thammasat University, Bangkok

Khunying Suparb Yossundara
Director, Assistant to the Governor
Bank of Thailand

OTHERS

Harry L. Case
Representative
The Ford Foundation, Manila

Richard W. Hooley
Professor of Economics
University of the Philippines

Leon A. Mears
Chairman, University of Wisconsin
University of the Philippines Economic Project