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December 27, 1963

Mr. David Mayer  
Room 407  
Agency for International Development  
Sherman Building  
1101 - 15th Street, N.W.  
Washington, D.C.

Dear Mr. Mayer:

In accordance with Contract No. AID/renas-9, Article I,5,2, which requires the National Planning Association to submit progress reports semi-annually, I am presenting a review of the activities of the Development Planning Project during the period since our report of June 27, 1963. Brief reference will also be made to the Project's plans for the period immediately ahead.

I. Staffing

The appointments of Dr. Joseph L. Tryon and Mr. Paul B. Huber were mentioned in my previous report. Dr. Tryon joined the Project on August 1 and Mr. Huber on September 1, bringing the professional research staff up to full strength. Two research assistants have been appointed to assist the staff: Mr. Roy Glasgow who joined the Project in July and Miss Marta Foster who joined on November 1.

II. Research Activities

Research is now underway in each of the areas of the development planning field specified in the Contract. A brief summary follows:

A. State of the Art of Development Planning - (Article I,1,a)

The work on the bibliography of literature in the development planning field has been expanded and all members of the Project are

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now involved in this task. Each staff member has been given responsibility for surveying and evaluating the literature in his special area of interest. To improve the final result, the target completion date has been deferred to near the end of the Contract period.

A first draft of the survey of two major branches of planning literature -- aggregative and project planning techniques -- referred to in my last report was finished in early July. Revision was undertaken and substantially completed by September when the author, Mr. Forrest Cookson, accepted a temporary AID appointment in Liberia (see below). Completion of this manuscript will be Mr. Cookson's first assignment upon his return to the Project, now anticipated to be early in 1964.

Work has continued on the problem of planning taxonomy and the typology of underdeveloped economies, a project referred to in my previous report. A start has been made at collecting data on less developed countries, and the data are being arranged for interpretation and analysis in a key-sort system. This research represents an attempt to identify a common conceptual framework useful for cross country comparisons. A classification system is being sought which would be fruitful for distinguishing types of underdeveloped economies from the standpoint of relevant development strategies, planning techniques and policy measures. Within the same framework the specific planning procedures which are now being employed by the individual countries are being studied.

The Project as a whole is involved in an effort to systematize the conceptual framework of the planning field by developing a classification scheme for planning functions. The objectives of this research are (1) to assist development planners in approaching their work more systematically, (2) to facilitate the organization of our own research and (3) to reappraise the framework in which the planning process is studied in the hope that this will lead to improvement in the planning process itself. The purpose of this endeavor is to classify more or less functionally specific planning tasks in a meaningful and consistent way.

#### B. National Account Projection Techniques - (Article I,1,b)

General work on the problem of constructing a flexible projection model useful for development planning in underdeveloped countries has continued. In addition, intensive work has been done on creating a projection framework specifically adapted to an export-oriented economy. Field work for this and other purposes has been undertaken in Malaysia, as a case study in an economy of this type. Malaysia was selected for a number of reasons -- one being the availability

of relatively good data. The results of this study will be written up and submitted to AID within the next several months. In addition, a brief evaluation of the accuracy of aggregate projections in five-year plans with implications for the desirable degree of flexibility, is nearing completion.

C. Annual Budgeting and Long-Range Development Planning -  
(Article I,1,c)

As pointed out in my previous report, our approach to this problem stresses the importance of studying all of the potential sources of finance for development investment as well as careful budgeting of financial resources and relating such budgeting to long-run planning. During the period under review the Project has developed a general model for evaluating domestic savings capacity and the relationship between domestic and external finance. The results of this general work have been presented in a paper by Professor John C.H. Fei of Yale University, a consultant to the Development Planning Project, and Douglas S. Praus. One hundred copies of this paper, entitled "Foreign Assistance and Self-Help: A Reappraisal of Development Finance", were submitted to AID on December 12. The Project is now engaged in statistical research to investigate the empirical validity of the theoretical propositions put forth in this paper and to test their operational usefulness. Further work is proceeding by relaxing some of the assumptions in the general model to broaden the formal analysis. In addition, the scope of the work is being expanded by (1) disaggregating the general savings relationship to study savings behavior by sector, (2) incorporating analysis of the foreign trade sector into the model and (3) extending the applications to development planning. The statistical part of this work will be available in the near future.

Work is also underway on the specific problem of integrating annual budgeting and long-run development planning. In this connection we are closely following the work being done by a United Nations task force at the Fiscal and Financial Division. This group, headed by Alfred Landau, Chief of the Budgetary Research Division, is preparing a number of papers on this subject for presentation at a Conference to be held in Copenhagen in the Fall of 1964. We have been receiving these papers and consulting with this group. Since the work of the UN group is heavily focused on the expenditure side of the problem, our own efforts in this field emphasize the revenue side, specifically the integration of revenue projections with long-range development planning.

D. Integrating Projects and Programs into National Development Planning - (Article I,1,d)

Research in this area is concerned with investigating project analysis as a tool of development planning. Project analysis has suddenly emerged as the focal point of interest in many countries seriously pursuing development planning. Yet the art of project evaluation leaves much to be desired; there is no general agreement on the broad outlines of project analysis methodology, and in this area in particular the gap between theory and practice is wide. Moreover, there is a common tendency for project planning to be carried out as an activity unrelated to planning at broader levels. For these reasons our research in this area is devoted to three problems: (1) a review and synthesis of the literature and experience; (2) the relationship of individual project plans to aggregate planning; and (3) the integration of project plans into a sectoral framework. This research includes studying the role of sectoral analysis in moving from aggregates to projects, direct comparison of project combinations and simple aggregation of projects to yield a total program. It also represents an inquiry into the theory of project analysis and into the practices by which projects are generated and analyzed in reality. A survey of the relevant and useful literature on project evaluation will be completed within the next few months. This survey will cover theory, case studies, and methods being taught in training courses in this country.

E. Government and Private Relationships in Development Planning - (Article I,1,e)

During the past six months, data has been collected from development plans, official publications, and other documentary sources on the relationships between the government and the private sector in development planning. This research has been focused particularly on Colombia, Ghana, India, Indonesia, Iran, Nigeria, Pakistan, the Philippines, Turkey and the United Arab Republic. For each country, an effort is being made to ascertain (1) the government's policy with respect to the role of the private sector in development planning; (2) the organizational arrangements for private participation in development planning; (3) the government policies and programs designed to stimulate and guide private participation in the development progress; (4) the attitudes of the private sector toward development planning and toward the arrangements made for their participation in the process; and (5) analyses of the effectiveness and consequences of these relationships between the government and the private sector. It is anticipated that this data, derived from published sources, will be supplemented and evaluated through field research in the Asian countries noted above during the Spring of 1964.

F. Government Policies for Implementing Development Plans and Programs - (Article I,1,f)

In addition to the policy aspects of the work described in E. above, a systematic study of developmental policies has been undertaken. This work represents an effort to survey the entire range of policy measures available to governments for achieving specific plan objectives. In this context an attempt is being made to relate policies and development strategy, and beyond this to investigate under what conditions specific policies are likely to be best suited to achieve specific objectives. Behind this approach lies the hypothesis that policy choice should depend on the organizational and institutional structure of the economy; not all policies are equally adaptable to specific institutional frameworks. The likely impact of specific types of policy measures (within such broad categories as fiscal, monetary and foreign trade) under particular combinations of institutional and economic conditions is being investigated in detail. The first part of this general study, examining these problems in the foreign trade and investment field, will be in first draft during the next report period.

G. Methods and Techniques for Evaluating Planning Efforts - (Article I,1,g)

Our field surveys of planning operations have indicated that serious problems are found in the progress reporting and control functions of the planning process in most developing countries. In order to attack this problem with realism, we have begun work in this field by studying the problem of plan implementation in India where planning has a relatively long history. The Project is now analyzing data on these problems collected during field work in India and a draft statement on the results of this study will be available in the near future. From this basis we will explore what methods and techniques are relevant for coping with the most serious problems that have arisen in actual progress reporting and control experience. In addition, Mr. Cookson is investigating problems of this type in Liberia, during his temporary AID assignment, and his experience will be brought to bear on the project's work in this area.

II. Planning Data and Aerial Photography

Our work in this area has continued to follow the lines described in my previous report. We have continued explorations both with U.S. Government Departments and with aerial photography companies to investigate the feasibility of applying aerial photography to data problems in the planning field. A Memorandum on the subject was crystalized from our discussions, and early in December

a meeting was convened using this Memorandum as a background paper. The discussion centered around the question of whether or not further research should be encouraged in this field. In view of the relatively favorable reaction, discussions with AID and other interested parties are continuing.

### III. Consultants

During the period under review, the Project added one consultant to the list of people previously submitted to AID: Professor William I. Abraham of the Department of Economics, New York University.

### IV. Technical Assistance

Under the technical assistance clause in the Contract, AID requested the services of Mr. Forrest Cookson as a planning advisor to the Office of National Planning, Liberia. Mr. Cookson was made available by the Project for these services for the period September 15, 1963, to January 1964, and a leave of absence from the Project was provided. The Project has continued to assist AID in arranging satisfactory planning assistance for Liberia for a longer period. (See background information on this subject in my previous report).

In addition, the Project has willingly complied with many requests for advice or consultations originating from several offices in AID. In response to requests, for example, the Project has provided such services as arranging for internship training of a foreign research trainee at NPA's PARM Project, briefing a group of Brazilian development planners on the Project's research activities, evaluating research proposals presented to AID, and advising on the placement of foreign research trainees in training institutions in the United States. Finally, the Project has provided frequent advice on recruitment of personnel for AID positions in the development planning field as well as evaluation of individual candidates for such positions.

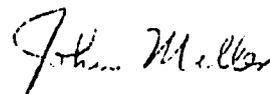
### V. Field Work

Two trips to foreign countries were made by Project staff members during the period under review: Dr. Paauw visited a number of countries in Asia as well as Israel, and Mr. Crosson visited Malaysia, attended a Conference in New Delhi, India, and had consultations with several research organizations in Western Europe. In addition to providing data and insights for our studies, these trips were useful in bringing to the attention of the Project relevant research work conducted abroad.

VI. Contact with Institutions Conducting Research  
in Related Fields

In the process of carrying out its other duties, the Project has been making an effort to establish contact with institutions conducting significant research in the development planning and closely related fields. A flow of information between the Project and other research institutions, both domestic and foreign, has begun to emerge. Institutions with which such a relationship has been developed include various agencies of the United Nations (e.g. ECAFE, ECLA, Committee of Experts on Long-term Economic Projections, UNESCO, Industrial Development Centre); the International Bank for Reconstruction and Development; the Economic Growth Center at Yale University; the Harvard Development Advisory Service; the Economic and Social Development Department, Graduate School of Public and International Affairs, University of Pittsburgh; the Committee of Nine, Organization of American States; and the Cross Cultural Study Project of National Economic Planning, Maxwell School of Citizenship and Public Affairs, Syracuse University. A list of institutions conducting research on development planning and related problems has been compiled, and will soon be circulated to members of our Advisory Committee for their suggestions and revisions.

Sincerely yours,



John Miller