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National Investment Planning and Equity Policy in Developing Countries: The Challenge of Decentralized Administration

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ABSTRACT

The impact of national economic planning in developing countries over the past three decades has been severely limited. Little evidence supports the contention that it has either directly improved investment decisions for stimulating economic growth or significantly affected development policy-making. Constraints on implementing national planning in Asia include weaknesses of political and administrative support for national plans, deficiencies in their content, difficulties of relating plan priorities to investment decisionmaking, ineffectiveness or inappropriateness of comprehensive planning methods and techniques, and inadequate administrative capacity to implement and evaluate multi-sectoral investment strategies. Changes in Asian development policy toward growth with equity imply the need for more decentralized methods and arrangements for planning, creation of a stronger relationship between policy planning and program implementation, and diffusion of administrative capacity among a wide variety of public and private institutions to generate, formulate and implement investment policies and projects.

National planning for economic development in Third World countries during the quarter century following World War II has been pervasive, sophisticated, detailed and, from most accounts of its impact, a failure.

In East and Southeast Asia nearly every country has experienced severe administrative problems in formulating and implementing national plans,[1] and most

[1] See, for instance, United Nations, Economic Commission for Latin America, "Planning and Plan Implementation in Latin America," *Economic Bulletin for Latin America*, Vol. XII, No. 2 (October 1967), pp. 18–32; United Nations, Economic Commission for Asia and the Far East, "Major Problems and Obstacles in Plan Implementation," *Economic Bulletin for Asia and the Far East*, Vol. 18, No. 3 (December 1967), pp. 1–37; Albert Waterston, *Development Planning: Lessons of Experience* (Baltimore: Johns Hopkins University Press, 1965), *passim*., Carlos F. Diaz-Alejandro, "Planning the Foreign Sector in Latin America," *The American Economic Review*, Vol. 60, No. 2 (May 1970), pp.

have begun to reassess the objectives of comprehensive analysis in a search for more effective ways of guiding economic development. Little contention remains among most analysts that national planning, as conceived by post-war economists, did not attain its goals. The emerging problem is to diagnose the causes and to evaluate more promising alternatives. To that end, this paper will trace the emergence of national planning in Asia, evaluate its effectiveness, and describe major administrative problems in formulating and implementing national plans. Changing trends in development concepts and strategies will be reviewed, and their administrative implications explored. Finally, it will be argued that in most developing countries the emphasis on central analysis and guidance of the economy has diverted attention from a more crucial task: expanding and diffusing administrative capacity for decentralized investment planning and implementation.

The Emergence of National Economic Planning in Asia

Macro-economic planning became fashionable in Asia following World War II. Although prewar experiments were not uncommon—they were primarily prompted by the Soviet Union's apparent success in mobilizing investment resources through central planning and by European governments' attempts to "rationalize" and control colonial economies in Southeast Asia—the spread of national planning in the late 1940s and early 1950s can be more directly attributed to the effectiveness of war mobilization planning in Europe and to the desire of governments attaining post-war political independence for rapid economic growth. But, perhaps the greatest impetus to national planning in Asia was the insistence of international aid agencies that grants and loans be made in conformance with coherent plans for national development. Thus, serious attempts to plan and manage Asian economies came in the wake of World Bank Economic Missions to Ceylon, Indonesia, Malaysia and Thailand in the 1950s. Creation of the Colombo Plan at about the same time provided additional incentives for national planning in India, Pakistan, Singapore, and Sarawak. Attempts in the early 1960s by United States aid officials to mandate national planning as a precondition for assistance, stimulated central analysis in Korea, the Philippines and Taiwan.[2]

Objectives of National Planning

The influence of international lending agencies and economic theorists was reflected clearly in the objectives and procedures adopted by Asian planners. Although national planning evolved in different ways in different political systems, its goals and procedures nonetheless manifested striking similarities. "The basic

169–179; Aaron Wildavsky, "Why Planning Fails in Nepal," *Administrative Science Quarterly*, Vol. 17, No. 4 (December 1972), pp. 508–528; Gary W. Wynia, *Politics and Planners: Economic Development Policy in Central America*, Madison: University of Wisconsin Press, 1972; and Mahbub Ul Haq, "Development Decade—Lessons Learnt by Economic Planners," in A. M. Ghouse (ed.) *Pakistan in the Development Decade: Problems and Performance* (Lahore: Economic Development Seminar, 1968); pp. 349–360.

[2] Albert Waterson, *Development Planning: Lessons of Experience* (Baltimore: Johns Hopkins University Press, 1965), pp. 32–36.

principle in the ideology of economic planning," Myrdal noted in his extensive study of Southeast Asia, "is that the state shall take an active, indeed, the decisive role in the economy; by its own acts of investment and enterprise, and by its various controls—inducements and restrictions—over the private sector the state shall initiate, spur and steer economic development." Policies thus would be "rationally coordinated, and the coordination (made) explicit in an overall plan for a number of years ahead."[3]

To most countries attempting to establish political and economic independence following the war, central planning offered not only an efficient tool for allocating scarce resources, but also a symbol of progress and self-control. By the mid-1960s Waterston could observe with little exaggeration that "the national plan appears to have joined the national anthem and the national flag as a symbol of sovereignty and modernity."[4] But beyond mere symbolism, Asians turned to central planning as an effective means of quickly achieving their economic and political aspirations. Most of Asia's early plans reflected goals similar to those of Malaysia's first Five-Year Plan. Drafted in 1954 with the assistance of the World Bank Economic Mission, it sought to stimulate industrialization, expand public facilities and infrastructure, and create employment for a growing labor force. Through national planning the government would rapidly accelerate public and private investment, especially in export industries, and increase the rates of capital formation and savings.[5] Similarly, countries like Ceylon turned to national planning not only to expand employment, but also to increase exports and balance foreign payments, diversify domestic production and generate higher levels of national income.[6]

In other countries, such as Indonesia, which initiated its eight-year development plan in the late 1950s, central planning was an instrument of nation-building in the post-colonial period. President Sukarno designed a plan aimed at increasing consumption, self-sufficiency in food and clothing production, and basic infrastructure and utilities. Promoting self-sufficiency in basic commodities was motivated more by political than economic concerns, resulting from Sukarno's desire to disassociate Indonesia from its colonial past and to evoke self-sacrifice, political support and national solidarity among a diverse people.[7] As the ideology of national planning spread, Asian governments assigned to it increasingly complex and diverse objectives but the major goals remained those of accelerating investment and the growth of gross national product.

Central Planning Procedures

Over a quarter-century Asian planning procedures took three basic forms: (1) top-down planning, through which a central planning agency formulated policies based

[3] Gunnar Myrdal, *An Approach to the Asia Drama: Methodological and Theoretical* (New York: Vintage Books, 1970), p. 175.

[4] Waterston, op. cit., p. 28.

[5] See Martin Rudner, *Nationalism, Planning and Economic Modernization in Malaysia*, (Beverly Hills: Sage Publications, 1975), p. 35.

[6] Government of Ceylon, National Planning Council, *The Ten-Year Plan for Ceylon* (Colombo: Government Press, 1959), pp. 54–82.

[7] See Don D. Humphrey, "Indonesia's National Plan for Economic Development," Asian Survey, Vol. 2, No. 10 (December 1962), pp. 12–21.

on macro-economic, quantitative models for the national economy; (2) bottom-up planning, through which the central planning agency compiled and reviewed the investment proposals of national ministries, local governments and semi-public corporations and allocated resources to them on the basis of centrally determined economic priorities; and (3) mixed systems, which used a combination of top-down and bottom-up approaches.

Top-down planning usually began with designation of broad national development goals and targets. Macro-economic analyses and econometric models sought to forecast long range conditions and—based on predictions concerning operation of the economy and the influence of exogenous variables—to compare development objectives with forecasted conditions. Investment resources were then allocated to sectors with projected shortfalls. Macro-economic studies, the formulation of alternative targets and strategies, and preliminary design of the national plan, were usually the responsibility of a central planning agency, reporting to the prime minister or a council of ministers. The final plan, based on initial policy recommendations, tempered by other political and economic factors, sought not only to control public agencies' investment decisions but to guide their operating and budgeting decisions as well.

The Korean plans, for instance, in addition to analyzing current economic trends, outlined the content and size of the government fiscal budget and recommended sectoral investment levels and incentives for private enterprise. They attempted to forecast major monetary trends, supplies of and demand for major commodities, foreign capital imports, price fluctuations and significant private sector activities. In addition to establishing targets for public and private investment, the plans set foreign transaction, industrial, population, employment, and science and technology policy for government ministries and publicly-controlled institutions.[8] Thailand's second development plan for 1967–71, to take another example, was based on an econometric model consisting of five functional equations and five identities to project 15-year trends in gross domestic product, population, capital formation and savings, imports and exports. Major recommendations for resource allocation and investment policies were based on gaps between desired targets and forecasted conditions.[9]

The "bottom-up" approach used in other countries began with submission of proposed projects by operating ministries, quasi-public corporations, and sometimes, state, provincial or local governments. In Pakistan, for instance, investment programs originated at the local and provincial levels. Local agencies identified projects which were then reviewed and integrated into sectoral plans by provincial ministries, evaluated and processed by the provincial planning agencies and transmitted to the National Planning Commission for consolidation into a national plan. In India, working groups similar to those organized at the national level were

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[8] Government of the Republic of Korea, *The Third Five-Year Economic Development Plan, 1972–1976* (Seoul: Government of the Republic of Korea, 1971), pp. 1–3.

[9] United Nations Development Programme, *UNDP Assistance Requested by the Government of Thailand for the Period 1972–1976*, DP/GC/THA/R.1, (New York: UNDP, 1972), passim.

formed within State governments to identify, generate and initially formulate investment proposals for inclusion in the national plan.[10]

Still other countries used combinations of "bottom-up" and "top-down" planning, or switched from one procedure to the other after evaluating initial results. Some countries such as Thailand used top-down procedures for earlier plans and bottom-up processes later, eventually merging elements of both. The National Economic Development Board (NEDB) in Thailand abandoned econometric modelling in the 1960s and was reorganized to coordinate development policies with operating and budgeting decisions. NEDB was formally charged not only with conducting studies of national socio-economic trends and estimating resource availability, but also with reviewing the investment proposals of various ministries and public agencies. Its staff evaluated potential projects and integrated approved proposals into a national development budget that was submitted to the Council of Ministers for final approval.[11]

The rationale for national planning in nearly all Asian countries was that free operation of the market could not adequately promote growth. Since the public sector was the dominant force for development in capital-scarce countries, its allocation and investment decisions would have to be rationally, efficiently and objectively planned in order to stimulate the economy. National planning, it was argued, would not only establish a coherent overall framework for public resource allocation, but would also establish guidelines for decision-making by public and quasi-public agencies concerned with national development, and provide criteria for evaluating private sector investment.

But Asian experience with national economic planning provides little evidence that it achieved either goal: economic growth in Asia since the early 1950s has been sporadic and limited to a few countries, and the administration of national economic planning has been plagued with severe problems, limiting its usefulness in guiding or controlling investment decisions.

Economic Development in Asia During the 1960s: Sporadic and Limited Growth

Although progress has been made in some sectors in a few countries, the World Bank estimates that in 1969 over 620 million Asians, nearly 75% of the area's total population, were living in dire poverty, earning less than $75 a year. Famine caused by prolonged and intensive periods of flooding or drought plagued large parts of India, Pakistan, and Bangladesh in the early 1970s. By the end of the 1960s, 40% of the total population in Asia still had incomes of less than $50 a year and fell below one-third of the national annual average per capita income.

Only two countries—Singapore and Hong Kong—attained a per capita gross national product greater than $700 by 1973. In more than half of the 16 developing nations of East and Southeast Asia considered in this study, per capita GNP

[10] United Nations, ECAFE, "The Planning and Financing of Social Development in the ECAFE Region," *Economic Bulletin for Asia and the Far East*, Vol. 20, No. 1 (June 1969), pp. 4–37.

[11] P. Changrien, *Development Planning in Thailand; Evaluation of Development Projects in Thailand*, Unpublished Ph.D. Dissertation (Ann Arbor: University Microfilms Inc., 1970), pp. 3–16.

remained less than $130 a year. Nearly half of the 16 countries failed to achieve average annual real growth rates in gross domestic product (GDP), private consumption, or gross domestic investment comparable to the developing world as a whole in the 1965–73 period. Indeed, nearly half had lower rates of average annual growth in GDP from 1965 to 1973 than during the 1950s. Half experienced *declining* growth in gross product contributed by agriculture, manufacturing and private consumption. Thus, the economic structures of most Asian countries are still dominated by low-productivity agriculture; and within these primarily service-based economies relatively little of the contribution to GDP was made by industry. In ten of the 16 countries imports exceeded exports in 1973 and half had larger balance of payments deficits than in 1960. (See Tables 1, 2 and 3.)

TABLE 1

Selected Economic Indicators, East and Southeast Asia, 1965–1973

		Average annual real growth rates 1965 – 1973					
	GNP per capita 1973 ($US)	Population	GNP	GDP	Gross product agriculture	Gross product manufacturing	Private consumption
Developing countries	—	2.4	—	5.0	3.0	7.3	5.4
Industrialized countries	—	1.0	—	4.6	1.9	4.7	4.5
South Asia							
Bangladesh	80	2.8	−1.6	0.4	0.8	5.3	1.2
Burma	80	2.2	0.7	3.0	1.9	2.9	3.2
India	120	2.2	1.5	3.5	3.6	3.6	3.3
Nepal	90	1.8	−0.1	1.9	1.7	—	—
Pakistan	120	3.3	2.5	5.3	.8	5.8	5.8
Sri Lanka	120	2.3	2.0	4.2	[illegible]	5.3	2.3
East Asia							
Cambodia	70	2.6	−5.2	−2.7	−3.3	−1.5	1.3
Taiwan	660	2.8	7.3	10.3	2.[illegible]	20.3	7.3
Hong Kong	1,430	1.9	5.8	7.4	9.8	12.9	4.4
Indonesia	130	2.1	4.5	6.8	3.5	9.1	5.5
Korea (South)	400	1.9	8.7	10.9	2.9	22.4	9.0
Malaysia	570	2.8	3.7	5.8	6.9	11.5	4.0
Philippines	280	3.0	2.6	5.8	3.8	6.2	6.0
Singapore	1;830	1.8	9.4	12.7	8.3	13.7	7.8
South Vietnam	110	2.6	−0.7	2.5	4.2	6.0	1.0
Thailand	270	3.0	4.5	7.4	3.3	9.1	7.5

Source: International Bank for Reconstruction and Development, *World Tables 1976*, Baltimore: Johns Hopkins University Press, 1976.

Although rates of average annual population growth generally were lower from 1965 to 1973 than in the 1950s, every country in Asia had higher rates of population increase during the 1970s than industrialized nations. Average annual rates of population growth were higher during 1965–73 than during the 1950s in Bangladesh, Burma, India, Nepal and South Vietnam. In half of the Asian countries, population growth rates during the late 1960s and early 1970s were higher than rates of GNP per capita; in Bangladesh, Burma, India, Sri Lanka and Cambodia population growth outpaced increases in agricultural production.

TABLE 2

Economic Structure Indicators, East and Southeast Asia, 1960 and 1973

Percent of gross domestic product at current factor cost

	Agriculture		Manufacture		Other Industry		Services	
	1960	1973	1960	1973	1960	1973	1960	1973
Developing countries	3.7	22.6	17.9	20.4	8.4	13.2	42.0	43.8
Industrialized countries	6.4	3.2	30.6	28.4	10.8	11.1	52.2	56.6
South Asia								
Bangladesh	61.3	56.1	6.2	8.3	1.7	4.3	30.0	31.3
Burma	26.2	35.8	8.3	10.0	—	3.9	—	50.3
India	51.0	47.8	13.9	13.4	6.2	7.5	29.0	31.3
Nepal	—	68.4	—	9.6	—	1.6	—	20.3
Pakistan	46.1	35.8	12.1	15.5	3.5	6.0	38.4	42.7
Sri Lanka	37.8	33.1	11.2	13.6	5.1	6.5	45.9	46.8
East Asia								
Cambodia	44.7	—	8.8	—	5.6	—	40.9	42.6
Taiwan	32.5	15.5	16.7	29.8	8.1	8.1	42.7	46.6
Hong Kong	3.2	2.5	31.7	32.1	8.1	5.1	57.0	60.3
Indonesia	53.9	40.9	8.4	9.2	6.0	12.3	31.7	37.6
Korea (South)	39.9	28.1	12.1	24.3	6.5	7.8	41.5	39.7
Malaysia	40.0	30.5	8.8	15.4	9.1	12.1	42.1	42.0
Philippines	32.2	36.4	18.8	21.3	5.4	6.5	43.6	35.8
Singapore	6.1	2.7	9.2	26.2	4.4	8.9	80.4	62.2
South Vietnam	34.2	38.0	10.8	7.1	2.9	2.8	52.2	52.1
Thailand	44.4	34.3	11.6	17.7	6.4	8.6	37.8	39.5

Source: International Bank for Reconstruction and Development, *World Tables 1976*, Baltimore: Johns Hopkins University Press, 1976.

Scattered evidence indicates that Asian socialist and communist countries fared little better than mixed economies. Per capita GNP for 1973 was $273 in mainland China, $550 in Mongolia, $340 in North Korea and $110 in North Vietnam. In the latter three countries, from 1965 to 1973, population growth was higher than growth of GNP per capita. North Korea suffered severe debt servicing problems in its attempts to accelerate industrialization, and political instability in mainland China seems to have slowed the pace of planned economic growth. To the extent that these countries were successful in attaining planned targets, evidence suggests that it was due less to the accuracy of plans or the effectiveness of analysts in choosing correct macro-economic strategies than to their capacity to mobilize and control the labor of large masses of population and to direct it toward increasing production in lagging sectors. Despite what seems to be a formal structure of decentralized planning and management, the People's Republic of China has tended to revert to strong central political control when significant lags appear in the attainment of planned

TABLE 3

Selected Social Indicators, East and Southeast Asia, 1960–1970

	Life expectancy at birth (yrs) 1970	% Dependent population (0—14 + 65 and over) 1970	Population per physician 1960	1970	Population per hospital bed 1960	1970
Developing countries	—	—	—	—	—	—
Industrialized countries	71.7	36.3	796.4	727.7	102.5	95.0
South Asia						
Bangladesh	48.0	48.0	10000.0	7600.0	11000.0	8120.0
Burma	48.0	43.0	12270.0	8970.0	1980.0	1200.0
India	50.0	45.0	5800.0	4800.0	2600.0	1620.0
Nepal	44.0	45.0	72000.0	49770.0	7000.0	6750.0
Pakistan	49.0	48.0	7450.0	3800.0	2070.0	1660.0
Sri Lanka	66.0	46.0	4600.0	3690.0	290.0	330.0
East Asia						
Cambodia	—	—	—	—	—	—
Taiwan	68.0	47.0	2300.0	—	1780.0	2980.0
Hong Kong	—	—	—	—	—	—
Indonesia	48.0	47.0	41000.0	27650.0	1350.0	1720.0
Korea (South)	65.0	44.0	3000.0	2210.0	2600.0	1920.0
Malaysia	59.0	47.0	6500.0	3860.0	290.0	270.0
Philippines	58.0	47.0	—	9100.0	1180.0	850.0
Singapore	68.0	42.0	2300.0	1520.0	270.0	270.0
South Vietnam	—	—	—	—	—	—
Thailand	59.0	48.0	8600.0	7970.0	—	850.0

Source: International Bank for Reconstruction and Development, *World Tables 1976*, Baltimore: Johns Hopkins University Press, 1976.

objectives. This has not apparently spared communist countries from deep internal political divisions over the wisdom of central planning directives, however, nor from severe administrative problems in implementing national economic plans. Reporting in 1974 on mainland China's difficulties in meetings planned targets, the *Far Eastern Economic Review* notes that:

> *The Shensi Daily* in May attacked officials who were unwilling to accept targets passed down to them because of lack of resources. The newspaper directed that human energy should be used as a substitute for scarce material inputs. In Kwangtung Province some cadres were alleged in April to have adopted the stance: "the moment they hear that they must increase production, they one-sidedly seek to increase their manpower, equipment and investment, resulting in doubling the effort for half the output." But it is clear from a variety of sources (the *People's Daily* and the *Hupeh Daily* in July, for instance) that in many instances the most essential requirements for meeting quotas fixed under the Five-Year Plan were lacking.[12]

[12] Far Eastern Economic Review, *Asia 1974 Yearbook* (Hong Kong: Far Eastern Economic Review Ltd., 1974), p. 129.

The independent socialist country of Burma, which practices both central management and national planning of the economy, also faced serious financial crises during the early 1970s, aggravating already serious problems of poverty.[13]

Nor is there much evidence that central planning has effectively guided or controlled development in those Asian countries that did experience the highest levels of growth since World War II. Singapore, Hong Kong, South Korea and Taiwan all relied heavily on export industrialization to acheive economic progress, and all currently depend on exports to maintain the pace of development. But Hong Kong has a relatively open market system. Singapore attempted to plan public investments and offered a number of incentives for private investment, but even under socialist governments it generally has not practised the type of comprehensive macro-economic planning prescribed for developing nations in the 1950s and 1960s.[14] The complexity of Singapore's economy and the rapid change in internal and external forces affecting international investment relegated national planning to a mere formality. During the 1960s the government did not even publish medium-term development plans, released only one State Development Plan for 1961–64 and eventually abandoned the practice of forecasting 5-year perspectives for development projects in the annual development estimates.[15]

Nor is it clear that the success of Korea and Taiwan in achieving high rates of economic growth can be attributed to central planning. In both countries, early attempts at macro-planning were in response to foreign pressures and had little effect on internal investment decisions. In Taiwan, for example, pressures by U.S. foreign aid officials to channel investment into selected sectors and to build up private enterprise were far more influential than central plans. Indeed, national planning in Taiwan has been described as "small scale" and "loose."[16] In Korea, the first and second five-year plans were virtually ignored in choosing public and private investments, and in fact the first plan established no clear criteria for investment priorities.[17]

Recent analyses suggest that the Taiwanese and Korean economies grew in spite of national planning. The pace and direction of growth had neither been fully anticipated nor primarily controlled by government planners and often exceeded targets and expectations. The national plan in Taiwan, in fact, has more often been revised to reflect the pattern of growth after it emerged than used to guide investment decisions. The sixth Four-Year Plan of 1973, for instance, was abandoned in late 1974 and replaced with a ten-year indicative plan that set new targets based on economic changes unanticipated during formulation of the previous plan.[18] In the

[13] See M. C. Tun, "Burma Under Repair," *Far Eastern Economic Review*, Vol. 81, No. 27 (July 9, 1973), pp. 19–21 and Denzil Peiris, "Socialism Without Commitment," *Far Eastern Economic Review*, Vol. 85, No. 6 (September 13, 1976), pp. 27–30.

[14] Theodore Geiger and Frances M. Geiger, *Tales of Two City-States: The Development Progress of Hong Kong and Singapore* (Washington: National Planning Association, 1973), passim.

[15] Lee Soo Ann, "Singapore," in Yip Yat Hoong (ed.) *Development Planning in Southeast Asia* (Singapore: Regional Institute for Higher Education and Development, 1973), pp. 34–36.

[16] Neil H. Jacoby, *U.S. Aid to Taiwan* (New York: Praeger, 1966), pp. 141–144.

[17] See David C. Cole and Young Woo Nam, "The Pattern and Significance of Economic Planning in Korea," in Irma Adelman, op. cit., pp. 11–37.

[18] See Far Eastern Economic Review, op. cit., pp. 300–301.

World Bank's economic report on Korea, released in 1976, Hasan argues that the growth of that country's economy during the 1960s and 1970s generally occurred independently of national plans:

> The actual growth rates of GNP, investment and exports substantially exceeded the targets of both the first (1962–66) and the second (1967–71) five year plans. For instance, the 1966 target of $40 million for manufactured exports was exceeded by nearly 300 percent as a result of aggressive action by private entrepreneurs. This suggests that the rapid expansion has not been altogether planned. As a result of economic opportunities and growth continually outstripping expectations and goals, there has been a persistent shortage of resources for development. The reliance on external debt of relatively short maturity and the inflationary financing of investment outlays in the late sixties were both consequences of an investment boom which was larger than anticipated.[19]

Thus, even a cursory review of economic development in Asia during the 1960s and 1970s indicates that national planning did little to promote growth in nearly half of the Asian economies, and that the progress that was achieved in four of the "high growth" economies had little to do with formal central planning.

Administration of National Planning: Problems and Constraints

Analysis of plan formulation and implementation in Asia during the 1950s and 1960s reveals a host of recurring and mutually reinforcing administrative problems. Among the most serious were the lack of strong political and administrative support for comprehensive plans; deficiencies in the substantive content of plans that weakened their influence on resource allocation and investment decision-making; the ineffectiveness of macro-planning methods and techniques; weaknesses in government administrative structure and procedures, limiting the capacity for plan implementation; and ineffective control and evaluation procedures.

The Weakness of Political and Administrative Support for Comprehensive National Planning

Successful central planning requires national political support and the willingness of high-level administrators to make and carry out investment decisions that adhere to national plan recommendations. Yet, in most Asian governments strong political and administrative support for comprehensive planning has been the exception rather than the rule. The shallowness of support is reflected in opposition by ruling elites to plans suggesting fundamental changes in social and economic structure, the difficulty of planners in establishing their authority or in legitimizing their plans with administrative agencies, the inability to mobilize popular support for major development policies, and the frequent lack of communication between planners and administrators. Indeed, the most crucial decisions regarding social and economic development in Asia have usually been made outside formal planning processes.

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[19] Parvez Hasan, *Korea: Problems and Issues in a Rapidly Growing Economy* (Baltimore: Johns Hopkins University Press, 1976), p. 8.

The lack of strong political and administrative commitment appears recurringly in evaluations of Asian planning. A "basic problem of development planning in Thailand," one official notes, "has been an absence of any keenly felt need for planning" during periods of satisfactory growth. Periods of economic stagnation produced demands for more immediate action than long-range planning could satisfy.[20] Another analyst observes that "planning has never had a glorious day in the Philippines." Not only did it lack strong political support, but "planning as an attitude of mind, as an institution with all the sense of anticipation, cohesiveness and national discipline that it involves has not been socially accepted." Support was weak throughout the Philippine government structure. "There is no habit for it, no real experience in it," Valdepenas argues, "and only a lot of attempts at escaping the consistencies and rigors it implies whenever efforts are made to apply it with some seriousness."[21] In Sri Lanka, the political elite who were opposed to rapid social and economic change have done little to back national plan priorities. "The absence of strong commitment or even a sense of continuity in development efforts," LaPorte contends, "has seriously affected public sector activities."[22]

Describing two decades of national planning in Nepal, Rana notes that few national development decisions were influenced by the National Planning Commission. "The Planning Institution has undergone a series of chameleon-like changes ranging from full executive authority and involvement to a mere advisory role," he contends. "Thus, despite its long history and the four plans it has produced, it is difficult to speak with confidence about its level of institutionalization. Projects whose feasibility the Commission has not analyzed continue to be taken up in the nation's program. The major policies of many sectors are often initiated and financed elsewhere."[23] Cole and Lyman contend that early Korean plans "did little to raise the government's effectiveness."[24] The subsequent acceptance of national planning in Korea seems to have little to do with increased commitment to comprehensive analysis. Rather the succession to power of a military regime, optimism resulting from rapid economic growth, pressures from international lending agencies, the cohesiveness of Korean society and the close identification of business interests with government development objectives made central controls more tolerable.

Administrators in Thailand have not only withheld support, but often attempted to avoid or subvert national planning procedures, perceiving them not as instruments for promoting economic growth, but as ways "to advance the regime's political interests."[25] Thai planners who tried both top-down and bottom-up

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[20] Snoh Unakul, "Annual Planning in Thailand," *Economic Bulletin for Asia and the Far East*, Vol. 10, No. 1 (June 1969), pp. 68–80; quote at p. 76.

[21] V. P. Valdepanas, Jr., "Philippines," in Yip Yat Hoong (ed.) *Development Planning in Southeast Asia*, op. cit., p. 265.

[22] Robert LaPorte, Jr. "Administrative, Political and Social Constraints on Economic Development in Ceylon," *International Review of Administrative Sciences*, Vol. 35 (1970), pp. 158–171; quote at p. 167.

[23] P.S.J.B. Rana, "The Nepalese Economy: Problems and Prospects," *Asian Survey*, Vol. 14, No. 7 (July 1974), pp. 651–662; quote at p. 660.

[24] David C. Cole and Princeton N. Lyman, *Korean Development: The Interplay of Politics and Economics* (Cambridge: Harvard University Press, 1971) Chapter 9; quote at p. 217.

[25] Suthin Nophaket, *The Administrative Requirements of Development Planning in Thailand*, Unpublished Ph.D. Dissertation (Ann Arbor: University Microfilms Inc. 1973), p. 205.

approaches were constantly frustrated in their attempts to integrate national planning with administrative decision-making. "During the periods of the three development plans in Thailand, the resources, public policy and the planning processes have seldom been integrated," notes one Thai observer.[26] Indeed, the First Plan entirely ignored private investment and dealt summarily with the micro-economic and financial factors of most concern to ministry officials. Ministries and quasi-public corporations often succeeded in avoiding the central planning agency's project review processes by financing investment proposals from operating budgets.[27]

Deficiencies in the Content of Plans and Difficulties of Relating National Plans to Investment Decisions

In most countries, moreover, the plans themselves lacked substance to guide decision-making. Most Asian plans stated objectives in vague and amorphous language calculated to gain widespread consensus without specifying implementation strategies that might generate conflict and opposition. They often lacked cost estimates and resource allocation proposals; failed to disaggregate macro-economic targets through intermediate sectoral or regional plans and neglected to identify programs and projects for funding in annual or capital budgets. Thus, few plans provided useful guidance for mobilizing and allocating domestic resources or for distributing foreign aid and other external capital to priority programs.

Despite the claim that national planning would lead to more systematically- and comprehensively-analyzed decisions, and that central review would provide rationally ordered priorities for the allocation of scarce resources, few national plans attained those goals. One evaluator of early Malaysian plans noted that

> (They) were no more than aggregations of the expansion programmes of separate governmental departments. The planning procedure was simple. Each government department was requested to submit its own claim for recurrent and development expenditure. The total of these claims would normally exceed the funds available and a committee, acting under certain unwritten rules and criteria, would reduce the sum total of the claims until it equalled that of the funds available.[28]

The decisions were made without formally-announced priorities and "with no regard for internal consistency." When subsequent attempts were made to correct these deficiencies by adopting quantitative macro-economic models, however, the plans failed to disaggregate, or to predict accurately, investment needs for specific sectors.[29]

National plans have been particularly weak in specifying investment priorities in the private sector, which proved to be the most dynamic part of many Asian economies in the post-war period. In Sri Lanka early plans paid "very little

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[26] Ibid., pp. 203–204.
[27] Ibid., p. 193.
[28] David Lim, "Malaysia," in Yip Yat Hoong (ed.) *Development Planning in Southeast Asia*, op cit., pp. 90–91.
[29] Idem.

attention . . . to initiating, formulating and assisting investment in the private sector," one analyst notes.[30] There was virtually no relationship between private investment decisions and national plan recommendations in Nepal in the late 1960s. "None of the industries for which targets had been provided by the Third Plan fulfilled their targets," one critic points out. "In fact, more than half of them were not even under production in 1970." Other industries succeeded beyond expectations, even though the plan set no targets for them. "In fact, success, where it was achieved, was either due to foreign aid negotiation totally independent of the plan, or was, in the case of stainless steel and nylon yarn, ad hoc decisions in complete contradiction of plan aims."[31]

Evaluations also reveal the weaknesses of national planning in linking development recommendations to public budget decisions. Reviewing planning in Thailand during the 1960s, one official argues that "no consistency check was attempted for the plan nor were criteria laid down for selection of projects, including cost-benefit analyses."[32] Another observer contends that

> Apart from the formation of sectoral programs, estimates were made for the production of major commodities at the end of the plan period. However, the final "target" of five percent growth of GNP was more a forecast than a target. Besides the government was not in a position to ensure that the entire program set out would actually be implemented. Besides, a considerable shortcoming in expenditure resulted. Nevertheless, the five percent "target" was achieved, even though it was largely due to the remarkable performance of the private sector, for which the plan had little to say.[33]

Prior to martial law in the Philippines, budget decisions rarely had any relationship to plan priorities and recommendations; indeed, budget decision-making was often totally divorced from national planning. Budgets were worked out incrementally, through bargaining and negotiation on the basis of immediate political and administrative criteria. Although the Budget Commission was supposed to be guided by the National Economic Council (NEC)'s plans, they were not always endorsed by the President. The Budget Commission instead prepared annual expenditure authorizations on the basis of needs submitted by operating departments. Appropriations were then either cut or increased during reviews by the President's staff and again during Congressional consideration, usually without reference to comprehensive development plans. Moreover, the Central Bank set monetary, credit and foreign exchange policies independently of both the NEC and other planning agencies.[34] And even after martial law, World Bank observers point out that "projects have not been grouped into sound sector programs and the central planning agency has not had a significant influence on the individual sector

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[30] H. N. S. Karunatilake, *Economic Development in Ceylon* (New York: Praeger, 1971), p. 270.

[31] P. S. J. B. Rana, *Nepal's Fourth Plan: A Critique* (Kathmandu: Yeti Books, 1971), pp. 50–51.

[32] G. A. Marzouk, *Economic Development and Policies: Case Study of Thailand* (Rotterdam: Rotterdam University Press, 1972), p. 431.

[33] Snoh Unakul, op. cit., p. 68.

[34] See College of Public Administration, University of the Phillipines, *Unified Approach to Development Analysis and Planning—Case Study: The Philippines*, Manila: United Nations Research Institute for Social Development, 1972.

programs or the intersectoral investment mix."[35] In Ceylon, the national plan served primarily as a statement of government policy, but outlined broad economic and social strategies in such sweeping language that, as one Ceylon official notes, "the planning techniques adopted were not having a significant impact on growth."[36]

And even where attempts have been made to focus on specific investment implications, as did Indonesia's plans of the early 1960s, political goals often dominated and biased decision criteria. Indonesia's initial plans, seeking to create national political solidarity, "grossly under-represented the financial costs and the economic sacrifices necessary" for implementation, even after control securely passed from the colonial to the national government.[37] In Nepal, government officials complain of the "lack of relationship between the budget . . . and the Five-Year Plan."[38] Caiden and Wildavsky, reviewing the affect of planning on budgeting in a number of developing countries, conclude that "the annual budget rarely does what the plan intends." They found large discrepancies between planned investment and amounts actually budgeted. Singapore either exceeded or fell short of planned investments in each sector. Malaysian investments in infrastructure and utilities outstripped targeted allocations during the first three national plans, and investment in social services and agriculture, which received the highest priorities, failed to reach projected levels.[39]

Ineffectiveness of National Planning Methods and Techniques

The very techniques of plan formulation often rendered national economic plans inoperable. Evaluations of Asian planning suggest a number of problems, including:

1. use of overly complex or inappropriate macro-economic models, and quantitative techniques that were beyond the capability of national planners and the understanding of ministry administrators;
2. adoption of analytical methods unsuited to national economic conditions or biased toward inappropriate economic strategies;
3. lack of adequate data or sufficient information to operationalize macro-economic models and programming techniques;
4. oversimplification of data and assumptions in order to fit information requirements of analytical methods; and
5. overemphasis on quantifiable economic factors to the exclusion or domination of social and political variables.

Models and techniques developed in Western industrialized countries were often uncritically applied in Asia. The macro-economics models used in Malaysia's national development plans were found to be both inappropriate and inaccurate for

[35] Russell J. Cheetham and Edward K. Hawkins, *The Philippines: Priorities and Prospects for Development* (Washington: The World Bank, 1976), p. 323.
[36] Karunatilake, op. cit., p. 268.
[37] Lawrence E. Schulz, *Politics of Development Planning in Indonesia*, Unpublished Ph.D. Dissertation (Ann Arbor: University Microfilms, Inc. 1972), p. 62.
[38] P. S. J. B. Rana, *Nepal's Fourth Plan* op. cit.
[39] Naomi Caiden and Aaron Wildavsky, *Planning and Budgeting in Poor Countries* (New York: Wiley, 1974), pp. 251–252.

forecasting national economic trends. Criticizing the use of an aggregate Harrod-Domar model, Malaysian economist David Lim points out that "even if the model were representative of the structural conditions of Malaysia, its usefulness would be reduced considerably by the shortage of reliable statistical data."[40] The model's fundamental assumption, that the shortage of capital is a crucial bottleneck to growth, did not apply in Malaysia, and the data required to calculate the incremental capital-output ratio (ICOR), on which the model is based, had to be approximated using arbitrary—and what later proved to be inaccurate—assumptions.[41]

A leading Thai planner notes the limitations of quantitative analysis under conditions found in most Asian countries, where "available data are neither comprehensive, reliable nor timely."[42] One evaluator of Thailand's national plan for 1965–71 claims that not only was the macro-economic model based on highly simplified economic assumptions, but that the World Bank Consultative Committee prepared the quantitative forecasts "basically by intuition." Marzouk insists that ". . . rough guesses had to be made to estimate GDP by expenditure type because of the paucity of data."[43] And the director of NEDB's Economic and Social Planning Division notes that private sector investment and consumption had to be considered as residuals by making the assumption that production of and demand for goods and services would remain in equilibrium through the end of the 1960s. That procedure, he contends, led planners ". . . to assume away the central problem of planning, namely, how to adjust the resources and expenditures in both the public and private sectors to meet the objectives of growth and stability."[44]

The Economic Planning Board in Korea was persuaded during formulation of its Second Five-Year Plan, to shift from a macro-model to sectoral analysis because the statistical base for macro-planning was inadequate. Rapid structural changes in the economy, especially in exports and savings, made most of the time series data invalid for long-range forecasting.[45]

In order to make operational the econometric model used to forecast growth in the FY 1972–75 plan for the Philippines, economists had to oversimplify assumptions and use data so inadequate that serious doubts were later cast on the Plan's validity. The model assumed no structural changes in the economy and based forecasts on past states of the economy. "The model is thus static rather than dynamic or even innovative," evaluators later noted, "changes in productivity in each sector or by factor shares are assumed away, not to mention the noneconomic variables which can only be dealt with at best in qualitative terms."[46] Less than a year after the plan was issued, it was "rolled over" in favor of a new Four-Year

[40] Lim, op cit., p. 121.
[41] Idem.
[42] Snoh Unakul, op. cit., p. 74.
[43] Marzouk, op. cit., p. 437.
[44] Snoh Unakul, op. cit., p. 70.
[45] See I. Adelman, D. C. Cole, R. Norton and K. J. Lee, "The Korean Sectoral Model," in I. Adelman (ed.) *Practical Approaches to Development Planning* (Baltimore: Johns Hopkins University Press, 1969), Chapter 5.
[46] College of Public Administration, op. cit., pp. 135–137.

Plan. The validity of macro-economic models, and indeed, of most quantitative analyses done in developing nations, are clouded by serious deficiencies in statistical collection systems. The Philippine plan used national income accounts and unemployment and population statistics that were challenged even by Philippine government agencies. Because each ministry collected data for different purposes, using different samples and different assumptions, interministerial conflicts often erupted over the meaning of national planning studies that were based on ministry information.[47]

Inadequate Administrative Structures for Plan Implementation, Evaluation and Control

The history of national planning in Asia is one of basic disjunction between planning and implementation. In part, the problem was due to the substantive deficiencies in the content of plans noted earlier—their failure to specify investment needs and to anticipate administrative requirements for implementation. Rana complains that the effectiveness of planning in Nepal has been severely limited by the failure of planners to analyze the administrative and political implications of their proposals. Concern with macro-economic analysis and quantitative forecasting, along with the application of Western development theories, blinded them to the weaknesses of indigenous administrative capability. Arguing that the low level of managerial capacity is the most crucial bottleneck to development in Nepal, Rana concludes that "management, organization and enterprise are matters not precisely quantifiable and it is perhaps not surprising that westerners, and westerners highly specialized in economics, looking at our countries should have tended to take these factors for granted."[48]

But it is precisely these organizational and administrative factors that appear repeatedly in evaluations of national planning as major constraints on implementation. In Sri Lanka during the 1950s and 1960s economic achievement always fell behind planned targets; decisions regularly departed from government guidelines. "More emphasis seems to have been devoted to the preparation of elaborate paper documents," Karuntilake complains, "rather than to the project content of the plan and how best it could be implemented to produce quick results."[49] And even after 1965, when the government explicitly admitted that national planning had little influence on essential development decisions and disaggregated planning by sector, progress was still limited by administrative constraints. Neither the Department of National Planning nor the ministries had the management procedures or technically qualified manpower needed to prepare and implement sectoral programs. After a decade of comprehensive planning, they discovered that even within the national planning agency very few officials had the experience necessary to determine balance of payments effects or gross domestic product implications of sectoral plans.[50]

[47] Ibid.
[48] Rana, Nepal's Fourth Plan, op. cit., p. 23.
[49] Karunatilake, op. cit., p. 263.
[50] Ibid.

Similarly, a senior national planner in Thailand contends that ". . . the most serious bottleneck in the formulation and implementation of development policy and programmes is the shortage of skilled technical and managerial manpower . . ."[51] Malaysian national plans have been plagued by a number of administrative difficulties. The weakness of planning procedures within ministries and subnational governments, ineffective managerial practices, and problems of co-ordination, all limited the impact of plans on investment decisions. "Poor financial management and accounting procedures have often delayed the decision making and implementation processes," Lim points out. "The lack of coordination between departments within a ministry is another weakness in the administrative machinery for implementing plans."[52]

To the extent that national planning requires cooperation among ministries and with the central planning agencies, or depends on the ability of a central agency to coordinate, monitor and evaluate resource allocations and investments, it was rarely successful in Asia. A Pakistani planning official reports that a major obstacle to executing that country's bottom-up process "is the total absence of coordination among various departmental agencies during implementation of projects."[53] Prior to martial law in the Philippines, planning agencies within various branches of the government were in open competition with each other. Philippine evaluators note that "even now, it cannot be said that either reorganization or martial law has put an end to the quarrelsome climate in which planning in the past has taken place."[54] In Thailand, the Budget Bureau makes fiscal and financial policies using its own criteria, leaving the national planning agency uninformed of its intentions. Despite formal requirements that it cooperate, the Budget Bureau does not usually provide revenue and expenditure information necessary for coordination between planners and budget officials. The planners, nursing wounds from previous skirmishes with powerful government agencies, have taken a passive role with respect to the Budget Bureau. "Since the NEDB has no power to approve or even to be informed of special tax measures," a Thai planner observes, "and since the Fiscal Policy Office has not appeared particularly anxious to exert itself in this field, there is no incentive for the Budget Bureau to attempt to coordinate the estimates with the other financial authorities."[55]

The most visible and bitter conflicts have occurred between the central planning agency and autonomous authorities, especially when the latter possess independent financial resources and highly trained technical personnel. Ironically, many of the semi-independent authorities have come into being at the insistence of international aid agencies, and use their resources at variance with investment priorities of the central planners. Conflicts over investment goals between Bangladesh's politically potent Water and Power Development Authority (WAPDA) and the central Planning Commission haved nearly always ended in the Authority's favor. Funded

[51] Snoh Unakul, op. cit., p. 72.
[52] Lim, op. cit., p. 119.
[53] I. Hussain, "Mechanics of Development Planning in Pakistan: A Suggested Framework," *Pakistan Economic and Social Review*, Vol. 2, No 4 (December 1973) pp. 454–462; quote at p. 458.
[54] Valdepenas, op. cit., p. 264.
[55] Snoh, op. cit., p. 72.

predominantly by foreign assistance agencies, WAPDA has a foreign trained technical staff, highly-skilled and well-connected to foreign aid personnel and contractors. WAPDA places strong emphasis on large-scale, high technology, capital-intensive power projects, despite the Planning Commission's insistence that these projects have done little to attain agricultural targets and benefit few of the poverty-stricken peasants. The Planning Commission, complaining of WAPDA's investment strategy in its 1973–74 annual report, charges that ". . . in most cases, they choose technology and set specifications which suited only the foreign contractors. Agencies like the Planning Department (had) neither the competence nor manpower to criticize their assumptions and recommendations."[56] In Indonesia, Pertamina, the government owned national oil company—which through autonomous financing expanded into a wide variety of large-scale development ventures until it ran into serious debt problems in 1975—generally ignored national development plans and priorities. Like WAPDA in Bangladesh, Pertamina was able to continue financing capital-intensive, high-technology projects even after Indonesia's national plan shifted toward labor-intensive, employment-creating investments.[57]

Difficulties in implementing national plans have also arisen from the inability of central government agencies to evaluate, monitor and control the decisions of administrative agencies. Even when planning and adminstrative structures were reorganized for that purpose, the results were disappointing. In fact, experience questions the ability of central agencies to perform review and control functions effectively under any circumstances. Thailand's requirement, that each operating ministry and government agency submit quarterly evaluation and review reports, quickly inundated planning and budgeting officials with more information than they could possibly analyze, or that the Inspector General could possibly investigate even if the planners were able to find discrepancies between plans and operations. Indeed, observers note that administrative reorganization of monitoring functions did little to improve coordination even among the review agencies:

> There is hardly any coordination between the Bureau of Planning and Research, the Budget Bureau and NEDB in this supervision and coordination work although all of them are in the Prime Minister's Office. The net result of this lack of coordination and ineffectiveness of the reporting system is that the Government Performance Information Centre has almost ceased to be operative and the back-log of reports . . . in the Bureau of Planning and Research continues to mount. Supervision cannot be exercised over the government operations effectively and coordination is often left to chance.[58]

In Malaysia, the government established "operations rooms" in an effort to evaluate and supervise plan implementation. They were effective only as long as the Prime Minister placed political pressure on the bureaucracy to report progress and

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[56] Quoted in Marcus Franda, "Politics and the Use of Water Resources in Bangladesh," *American University Field Staff Reports: Asia*, Vol. 18, No. 3 (1974), p. 7; See also John Woodward Thomas, "Development Institutions, Projects and Aid: A Case Study of the Water Development Programme in East Pakistan," *Pakistan Economic and Social Review*, Vol. 12, No. 4 (Spring 1974), pp. 87–103.

[57] See Gary E. Hansen, "Indonesia 1975: National Resilience and Continuity of the New Order Struggle," *Asian Survey*, Vol. 16, No. 2 (February 1976), pp. 146–158.

[58] P. Changrien, op. cit., p. 24.

coordinate activities. But the system itself was quickly bureaucratized. As political pressure from the Prime Minister eased, the system faltered.[59]

Little evidence supports the assumption that coordination can be mandated from the center. The Philippines, in a 20-year pursuit of more effective cooperative arrangements for plan implementation established a number of special coordinating committees and councils. But evaluators note that coordination schemes ". . . seem to be effective only to the extent that the participants share common orientations and have similar perceptions of development problems; or, that integration is reached through bargaining and compromise of departmental positions."[60]

Changing Trends in Development Planning

Since the early 1970s, Third World governments and international development agencies have been experimenting with new concepts of development and new strategies and procedures for national investment planning. Among the most significant trends have been:

1. Extension of the concept of development beyond maximizing gains in gross national product, and indeed, beyond the goal of mere economic growth, to one that seeks basic transformation in social, economic and political structures, balanced economic growth with social equity, and the spread of development benefits more widely to the poorest groups and regions within developing nations.

2. The shift in strategies away from heavy investment in export industrialization and import substitution to more balanced investment in agricultural, education, population, health, manpower development, nutrition, rural and social service sectors; and less emphasis on capital-intensive, high-technology projects in favor of more labor-intensive, employment generating ventures using appropriate technology.

3. Disaggregation and decentralization of investment planning, promotion of wider participation in the planning process, and more detailed attention to investment needs of specific sectors and regions.

4. Decreased use of project-by-project investment planning in favor of functionally and spatially integrated programs of investment with potentially greater "development impact" on the poorest groups, especially those living in rural areas.

Changing Concepts and Strategies of Development

The plans of Asian governments and international assistance agencies reveal a fundamental redirection of development concepts and investment strategies.[61] Maximum growth in gross national product is no longer their primary objective. The skewed distribution of growth since World War II—accompanied by rapid population increases and high rates of inflation—did little to better conditions in

[59] See Milton J. Esman, *Administration of Development in Malaysia* (Ithaca: Cornell University Press, 1972), pp. 105–106; 216–226.

[60] College of Public Administration, op. cit., p. 67.

[61] See Dennis A. Rondinelli and Kenneth Ruddle, *Urban Functions in Rural Development; An Analysis of Integrated Spatial Development Policy* (Washington: US Agency for International Development, 1976, for a detailed analysis of changing strategies.

most developing nations or of their poorest population groups. Even the strongest advocates of national economic planning recognize that increases in per capita income in the Third World have been inequitably distributed. Concentration of wealth in a few places has led to demands by Third World governments for a new global economic order and a more equitable pattern of national development. Indeed, the skewed distribution of wealth brought many development theorists, as Chenery notes, to question "the very idea of aggregate growth as a social objective."[62]

Recent Asian plans strongly reflect dissatisfaction with previous approaches to development. India's latest plan explicitly recognizes that aggregate economic growth has not filtered down to the majority of the poor, and asserts, that "growthmanship which results in undivided attention to the maximization of GNP can be dangerous. Elimination of abject poverty will not be attained as a corollary to a certain acceleration in the growth of the economy alone."[63] Other nations are equally explicit. The government of the Philippines, for instance, proclaims "that no longer is maximum economic growth the singular apex of goals; equally desired are maximum employment, promotion of social development and more equitable distribution of income and wealth."[64] It asserts that rural modernization will now receive priority equal to urban industrialization. Sri Lanka's development policies maintain that "while the immediate social objective of the plan is to provide employment, it also aims to bridge the present disparities in incomes and living conditions of low-income households."[65] Similarly, Thailand's recent plans seek to balance national development, restructuring the economic system to reduce income inequalities by developing human resources and expanding rural employment.[66] The shift in emphasis is apparent even in countries that experienced relatively rapid economic progress. Korea seeks deliberately to lower its growth rate to attain "harmony in growth, stabilization and a balanced economy," and to achieve self-sufficiency in food production and more equitable regional development.[67]

International assistance agencies operating in Asia have also adopted new lending strategies. The World Bank, for instance, broadly expanded the scope of its project funding to new sectors. Priorities have shifted from traditional physical infrastructure and industrial projects to agriculture and social sectors. Emphasis is now placed on investments that will raise productivity and incomes of rural populations. Average annual World Bank lending for agriculture in Asia more than tripled over the past decade, educational loans increased by more than 500% and substantial gains were recorded in the areas of population planning, tourism, and

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[62] Hollis Chenery, "Introduction," in H. Chenery, M. Ahluwalia, C. Bell, J. Duloy and R. Jolly, *Redistribution with Growth* (London: Oxford University Press, 1974), p. xiii.

[63] Quoted in Nabogopal Das, "India's Planning Experience," *World Today* (October 1973), pp. 430–439; quote at p. 430.

[64] Republic of the Philippines, *Four Year Development Plan, FY 1973–1977* (Manila: National Economic and Development Authority, 1973), p. 307.

[65] Government of Ceylon, Ministry of Planning and Employment, *The Five-Year Plan 1972–1976* (Ceylon: Department of Government Printing, 1971), p. 2.

[66] UNDP, op. cit., passim.

[67] Government of the Republic of Korea, *The Third Five-Year Economic Development Plan, 1972–1976* (Seoul: Government of the Republic of Korea, 1971), pp. 1–3.

urban development. Similarly, since 1973, the United States Agency for International Development (USAID) has sought to relate its Asian assistance more to the development of specific sectors than to overall national growth, placing special emphasis on food production and nutrition, to which it committed more than 70% of its funds in 1976, and on population, health, human resource development, science and technology and integrated rural development. Future projects in Asia will focus more clearly on the goals of income redistribution and reduction of unemployment.[68] Similar strategies have been adopted by United Nations specialized agencies and the Asian Development Bank.[69]

Decentralized Planning and Integrated Investment

The search for new development concepts and strategies was accompanied by extensive experiments with more disaggregated analysis and decentralized administration.[70] The new procedures to some extent reflect both a greater concern for implementation problems and more realistic expectations concerning the ability of governments to centrally control resource allocation and investment. In addition, partly in reaction to the failure of macro-planning and partly in response to pressures from aid agencies, Asian governments have also been searching for more effective ways of functionally and spatially integrating investment projects. Among the alternatives to central planning, they have experimented with the following types of decentralized procedures:

1. Sectoral Planning and Programming

Most governments in Asia now use sectoral planning either as a substitute for macro-economic analysis or as a complement to it. Although the definition of a sector, and the techniques of analysis differ widely, plans are aimed at establishing investment priorities for three broad categories of activity: (a) directly productive elements of the national economy, such as agriculture, mining, manufacturing, and foreign trade; (b) subsystems of physical infrastructure, such as transportation, highways, electric power and utilities, telecommunications and irrigation; and (c) large-scale social programs, such as population planning, employment, manpower development, health, housing and social welfare.

Most governments in Asia turned to sector planning from frustration with macro-analysis. Sri Lanka adopted it in the early 1970s to focus planning on the identification of specific investment strategies and requirements for project implementation. Sector plans were to be concrete programs for selecting and executing projects. The national plan was abandoned and the planning agency reorganized into a Division of Perspective Planning, which is responsible for estimating resource availability and

[68] See U.S. Agency for International Development, *Fiscal Year 1977 Submission to the Congress: Asia Programs* (Washington: U.S. Department of State, 1976).
[69] See Dennis A. Rondinelli and Raymond Radosevich, "Administrative Changes in International Assistance: Implications for Asian Cooperation," *Asian Economic and Social Review*, Vol. 1, No. 1 (May 1976), pp. 1–19.
[70] A detailed discussion can be found in Dennis A. Rondinelli, "Project Identification in Economic Development," *Journal of World Trade Law*, Vol. 10, No. 3 (May–June 1976), pp. 215–251.

checking the internal consistency of sector plans, and a Division of Plan Implementation, which works with ministry officials in formulating, appraising, clearing and executing projects. Similarly, the Philippines found that sectoral planning not only provided a means of disaggregating the national plan, but also a way of working more directly with ministries and agencies in plan formulation and of building political support for investment programs.

2. Regional Development Planning

Disaggregation is also accomplished in many countries through regional analysis. Although regional planning has not received the attention given to sectoral programming, most Asian governments recognize that subnational regions often differ drastically in their problems, needs, conditions and development potential, and that investments must be tailored to their requirements. In the Philippines, NEDA has divided the nation into 11 regions which are used for analyzing investment programs, general planning, coordination and administrative supervision. Regional development councils, composed of field officers of national ministries, advise NEDA regional planning offices. Thailand turned to regional planning as a means of redressing the imbalances between the Bangkok metropolitan area, where investments have traditionally been concentrated, and other sections of the country. Korea is also attempting to balance growth by formulating infrastructure and industrial investment plans for four river basin regions. Nepal's Fourth Five-Year Plan gives increased attention to the special needs of two mountain regions and the Kathmandu Valley, using regional planning as the link between national development objectives and local needs.

3. Annual Planning and Budget Programming

Most Asian governments have adopted some form of annual planning to bridge the gap between national investment strategies and budget decisions. Korea's annual plan, the Overall Resources Budget (ORB), sets priorities and allocates funds for investment in each sector. In preparing the ORB, the Economic Planning Board reviews proposals submitted by government agencies, assesses their potential for increasing sectoral production, comparative rates of return, and balance of payments and employment effects.[71] Annual planning in Pakistan and Thailand perform similar functions. Indonesia's two-part annual plan is designed to integrate investment planning with both budgeting and operating decisons. The first part, in addition to summarizing economic conditions and forecasts, delineate investment priorities and available resources for each sector in the coming year's budget. The second part serves as an implementation plan by designating the agencies that will execute each project, reporting and coordination requirements and evaluation procedures.[72]

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[71] Kyung-Shick Lee, "Annual Planning in Korea," *Economic Bulletin for Asia and the Far East*, Vol. 20, No. 1 (June 1969), pp. 61–67.

[72] See Lawrence E. Schultz, *Politics and Development Planning in Indonesia*, Unpublished Ph.D. Dissertation (Ann Arbor: University Microfilms Inc. 1972), pp. 148–149.

4. Public Incentives for Private Investment in Priority Sectors and Regions

Governments with mixed economies have looked increasingly to the use of financial incentives for promoting private investment. Government encouragement of indigenous and foreign investment includes providing subsidies, tax relief, protection from competition, manpower training programs, and public infrastructure in support of new and expanded private ventures. The governments of India, Malaysia, Pakistan and the Philippines engage in promotional activities designed to attract foreign investors or buyers for indigenously produced goods; India provides advisory and consultative services for small and medium-size enterprises and craft industries. Malaysia and Taiwan support large industrial parks with services and facilities, both to reduce the development costs for potential investors and to influence the location of new ventures. Malaysia, Singapore, the Philippines and other countries give incentives to investors in "pioneering industries"—those introducing new technologies or products. Even the socialist governments of Burma and Sri Lanka have eased restrictions on private ownership. Burma has lifted its ban on foreign investment and provides assistance and incentives for private investors in over 300 selected industries.

5. Decentralized Control and Supervision of Development Activities

Disaggregation of planning brought with it greater decentralization of administrative control and supervision. The Philippines, using NEDA's regional administrative structure, formed coordinating committees in each region to evaluate and respond to development problems. Sectoral and regional specialists monitor and identify problems in project implementation and assist in solving serious administrative problems. Eventually NEDA intends to delegate responsibility for the formulation of sector investment programs to regional planning boards and operating agencies, and to limit its own role to providing policy guidance, determining intersectoral priorities and coordinating sectoral policies. Presidential Regional Officers for Development (PRODS) have recently been created to coordinate funding and resolve implementation problems that fall within the President's authority at the regional level.[73]

Other countries are looking to provincial and local governments to take a stronger role in regional development. In the early 1970s, Indonesia formally delegated supervision and monitoring responsibilities for national projects to Governors and regional government heads. India and Pakistan maintain State and District Planning Commissions responsible for both plan formulation and implementation. Indonesia has also turned to traditional village headmen and elected officials for assistance in implementing development projects and disseminating development policy. And Korea's "Sae Maeul" or "new community" movement attempts to mobilize local leadership and resources for self-help programs in infrastructure construction, social services and facilities improvement, and natural resource development.

The new concepts and strategies of development, of course, simply substitute one set of administrative problems for another. Decentralized procedures require

[73] Cheetham and Hawkins, op. cit., pp. 322–323.

substantially higher levels of administrative capacity. Those arrangements tested thus far are neither particularly innovative nor totally successful. The challenge to public administration in the future will be to find new ways of generating managerial capability for decentralized investment planning and implementation, and that will require a fundamental reorientation of planning objectives and functions.

Expanding Administrative Capacity for Decentralized Economic Planning

Although nearly all Asian governments subscribe to the new development concepts and investment strategies, initial evaluations indicate that their efforts have produced only mixed results. Implementation is slow, commitment weak, and the administrative constraints that limited the effectiveness of central planning also plague alternative approaches. The Asian experience with economic planning over the past quarter century seems to confirm that administrative capacity is the crucial variable affecting the ability of governments to guide resource allocation and investment decisions.

Decentralized procedures have encountered severe administrative problems. Although annual and sectoral planning have focused greater attention on identification and analysis of specific investments, in practice both have had only limited influence on actual decision-making. Thailand's annual plans usually have not been completed until after the budget was submitted to the national assembly. In other countries sectoral planning exhibits the same limiting characteristics of national planning—overly sophisticated methods and techniques, inadequate data, lack of political or administrative support and overemphasis on financial factors to the detriment of political, social and cultural variables. Few Asian governments have found ways of eliciting the participation of private investors in plan formulation and implementation. In Indonesia and Pakistan, the impact of decentralized procedures is weakened by the lack of accurate reporting and evaluation that would allow planners to assess performance gaps and make reasonable estimates of sectoral and regional investment needs.

Sectoral and regional planning, which are fundamental to growth-with-equity strategies, raise complex coordination problems that few Asian governments have seriously addressed.[74] At the national level, the organizational complexity of even a single sectoral development plan can be staggering. The Agrarian Reform Program, established to increase agricultural productivity in the Philippines requires institutional cooperation among at least 16 major agencies and financial support from another 10 government or quasi-public institutions. Delegation of planning and implementation responsibilities is limited in most of Asia, moreover, by the administrative weaknesses of subnational governments. Local governments generally have poor taxing and resource mobilization capacity, are dependent on central ministries for most of their revenues, and are staffed by poorly-trained officials.

[74] See Dennis A. Rondinelli and Kenneth Ruddle, "Political Commitment and Administrative Support: Preconditions for Growth with Equity Policy," *Journal of Administration Overseas*, Vol. 17, No. 1 (1978), pp. 43–60, for a more detailed discussion of this problem.

National ministries in many Asian countries are reluctant to delegate either resources or responsibility to local officials, and are sometimes in competition with provincial or state governments for political control over projects. Limited experience with regional planning and administration in Asia has not been impressive.[75]

Reorienting Planning Objectives

At the crux of the problem is the lack of real commitment to decentralization of power and responsibility. The procedures tested thus far were often used merely to buttress or improve central planning and control, rather than for promoting autonomy and discretion in decision-making. Investment planning is still a function perceived in almost every country as one that is, or ought to be, technical and objective, yielding a set of optimal strategies based on comprehensive, quantitative analysis. But in reality, a nation's investment program is shaped by complex processes of political bargaining and negotiation among a variety of government agencies and private interests. It is subject to the same play of political, social and personal forces as are other major policies. If anything, conflicts over resource allocation and investment policy have been even more pronounced; the negotiations are usually more intense and the bargains more heatedly forged, because the allocation of investment resources affects the fundamental distribution of power. Investment decisions made by means other than technical analysis have so frequently been condemned by international economists and planning theorists, however, that their basic political characteristics are often denied even by the most skillful participants in political conflicts. Failure to do central planning is still attributed to the backwardness of poor countries, and offered as proof that they have not yet joined the modern world.

But two strong arguments can be made for drastically reorienting or completely abandoning central planning in developing countries. The first is simply that after nearly three decades of trying, few countries have done it successfully. Thus if it is not impossible, it is so difficult as not to be worth the effort. The second is that even if it could be done successfully, central planning perversely shifts attention away from a task more crucial to economic development: expanding and diffusing administrative capacity for investment planning among a wide variety of public and private organizations.

The obstacles to central planning in Asia have already been discussed; the question that remains is not how administrative capacity can be increased to improve central analysis and control, but whether national planning should be done at all. The problem pressing most Asian nations is not one of acquiring vast amounts of additional capital or of finding more powerful econometric models and optimal allocation techniques, but of developing more effective ways of implementing projects for which resources already exist. The fact that many Asian countries

[75] Dennis A. Rondinelli and Kenneth Ruddle, "Local Organization for Integrated Rural Development: Implementing Equity Policy in Developing Countries," *International Review of Administrative Science*, Vol. 63, No. 1 (1977), pp. 20–30.

continually underspend available funds and fail to complete ongoing projects is indicative of their limited administrative capacity. Caiden and Wildavsky argue that:

> As long as underspending exists at high levels, the potential of the limited funds available for investment is not being realized. Why worry about exotic economic models when you cannot program through the money you have? Similarly, why create an ambitious ten-year plan (once highly admired though utterly misleading and never executed) when modest yearly goals have not yet been achieved? Project analysis is poor, construction is chaotic, management is erratic, sales are neglected, and cost accounting hardly exists. The task of planners is to seek improvements at all these stages, not merely at the sectoral or even project level. If planners are not also implementers, they will fall victim to the classic schizophrenia—torn between delightful documents and sordid circumstances.[76]

In mixed economies, most investment opportunities are identified outside of formal planning processes rather than as the result of macro-economic analysis. They most often emerge in Asia through informal interaction and entrepreneurial activity, from political commitments of powerful national leaders, or demands of local and regional political factions, as responses to crises, emergencies and external threats, or from pressures or incentives created by international assistance agencies, multinational corporations, foundations and voluntary agencies. And it is precisely these diffused sources of investment identification and implementation that must be extended and strengthened within developing nations. Greater equity in the distribution of wealth requires greater participation in the basic economic and political processes through which wealth is generated and acquired. Central planning is not only complex and difficult, but it may also be *inadequate, inappropriate and ineffective* for achieving the new development goals. It not only fails to guide investment decision-making, but may actually inhibit the expansion of decision-making capacity among public and private organizations. National planning, as it has been practised in most developing countries, was an instrument through which economic technicians, planning administrators and a few political leaders tried to pre-empt decision-making by using "optimal" investment strategies to impose priorities on the choices of other government and private organizations. The national plan has often been viewed as a "blueprint" for development. Planners attempted to prescribe the criteria to which others would conform, rather than providing the prerequisites for decentralized decision-making and entrepreneurial activity that might lead to both higher rates of growth and more equitable distribution of wealth.

Planning for the Diffusion of Administrative Capacity

The objective of development planning in Asia should be redefined as one of creating, expanding and diffusing administrative capacity for resource mobilization and investment. Such a process would be concerned with establishing the preconditions for innovation and widespread participation in economic activities, with expanding the capacity of public and private organizations within a developing society to identify productive and social investment opportunities, prepare and appraise investment proposals, mobilize and invest resources, and implement projects

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[76] Caiden and Wildavsky, op. cit., p. 298.

that will increase their productivity and their endowment of economic, political and social resources.

To advocate decentralized planning and administration of economic development is not to say that some measure of coordination or central analysis aimed at understanding macro-economic conditions is not possible or desirable. National governments strongly influence the pace and direction of economic and social progress. Free operation of the market will not solve many of the equity problems that now concern the developing world. Conditions maintaining inequitable patterns of growth will not be changed without intense political commitment. Thus, strong policies and priorities for changing social and economic structures should be set by national governments. But central planning and control, as primary instruments of economic development policy-making, have been elusive in mixed economies and not yet proven effective in socialist societies. Indeed, the problem of creating a planning process that expands and diffuses decision-making discretion, planning capability and administrative capacity is one that confronts socialist as well as mixed economies. Goulet argues that in socialist societies success ". . . is not measured simply by the quantity of benefits gained, but above all by the way in which change processes take place. Visible benefits are no doubt sought, but the decisive test of success is that in obtaining them, a society will have fostered greater popular autonomy in a non-elitist mode . . .".[77] The challenge is even greater for mixed economies in the Third World, where political freedom and entrepreneurial activity are more highly prized, but where the vast majority of their populations are excluded from meaningful participation in the economy and remain in dire poverty. Redistribution of wealth, unaccompanied by accelerated economic growth and higher levels of productivity, will surely do little to overcome their problems; but growth, unaccompanied by widespread distribution of the benefits of development, will merely reinforce the conditions of their travail.

If the growth-with-equity goals of the new development strategies are to be achieved, the tasks of national planning must be drastically reoriented. The functions of national planning should be refocused, from attempting to generate "optimal" comprehensive models for investment, to assisting national political and administrative leaders with formulating development policies that expand participation in the national economy. Among the tasks facing planning administration in the future, at least in mixed economies, must be the following:

1. Assisting political leaders with formulating investment policies that will promote growth with equity, and with mobilizing strong political and administrative support for those policies

National Investment decisions have always been, and will continue to be, political decisions. "Optimality" as a technical goal is always reinterpreted in terms of political costs and benefits. Neither "optimality" nor "consistency" are values highly prized in political interaction, nor are they really preconditions for resource allocation and investment. Of far greater concern is that investment strategies, however determined, will promote national policy objectives, and that strong

[77] Denis Goulet, "Development . . . or Liberation?" *International Development Review*, Vol. 13, No. 3 (September 1971), pp. 6–10; quote at p. 8.

political commitment be mobilized in support of them. Strategies for mobilizing political support are as important as the substantive content of investment plans themselves. Asian experience with attempts at economic and social transformation underline the degree to which intensive political commitment is required to articulate strategy in national policies, major legislative declarations and administrative orders. The continuous attention, indeed, the almost single-minded commitment of political leaders is required to transform equity plans into programs of action and to break the barriers of entrenched interests preventing the redistribution of resources necessary to expand participation in economic activity.[78]

2. Improving budgetary flows to investment projects supporting growth-with-equity objectives

Substantial improvements are needed in budgeting systems in most Asian countries to ensure that allocated funds are actually used for high priority programs and projects. Among the most important budgetary problems facing developing nations are the lack of data and information on actual budgeting allocations to ministries and agencies that implement development policy and long delays in allotted budget funds reaching provincial and field offices because of inefficient disbursement systems. Most developing nations, moreover, lack the flexibility in fiscal procedures that make it possible for ministries to use allocated resources for innovative or unprogrammed expenditures. Financial management is hampered, in addition, by overly complex budget procedures, the inability of ministry and local government personnel to prepare budget requests properly, and the failure of budget authorities to release allocated funds on time to be spent by the end of the fiscal year. Unless investment plans can be implemented through effective budget procedures, the most sophisticated allocation planning is useless.

3. Expanding the planning capacity of ministries with major sectoral responsibilities and of regional development agencies, thereby fusing planning with implementation

To the degree that the planning capacity of implementation agencies can be substantially expanded, it relieves two of the major problems plaguing central planning: the need for predominant control of allocation and investment decision-making in a national planning agency where it enjoys relatively little political and administrative support, and the disjunction between planning and implementation. A primary function of national planners ought to be in training ministry planners in sectoral analysis and regional planners and private sector managers in skills necessary to carry out more decentralized investment decision-making.

4. Building the administrative capacity of provincial, regional and local governments to make and execute investment decisions

Expansion of local government capacity to identify and execute investments promoting growth with equity must also be given higher priority in national development policy. Immediate emphasis is needed on developing the fiscal base of local governments by increasing the reliability of tax collection systems, establishing

[78] See Rondinelli and Ruddle, "Political Commitment and Administrative Support," op. cit. for a more detailed discussion.

revenue sharing programs, improving the technical and administrative competence of local officials, expanding local government decision-making authority and creating local cadres of professional planners and managers. Unless local organizational capacity can be quickly and substantially expanded in Asia, growth-with-equity goals will remain mere rhetoric.[79]

5. Providing essential physical, financial and service support as preconditions for expanded public and private investment in economically lagging regions

Central governments can assist deprived regions and population groups not fully participating in the national economy to increase investment activities by providing basic preconditions. Among the most important functions of central governments in developing societies are: providing social overhead capital and physical infrastructure without which the cost of productive investment by private organizations becomes prohibitive; ensuring that at least minimum levels of health, education and social services are available to a majority of local people; removing obstacles to increased productivity and exchange maintained by privileged or elite groups in rural areas; and ensuring through legal means equitable access to resources, factors of production, and opportunities for individual advancement.

6. Increasing the physical linkages among lagging regions and more developed sections of the country and the organizational linkages among various levels of government

The evolution of a well-integrated spatial system in which production, exchange and distribution among all major areas of a country is assured, can lead to greater opportunities for investment and larger internal markets for goods and services. Priority must be given in most Asian countries to physically linking those areas that have been by-passed by economic progress with the more developed centers of the country, in order to establish a spatial basis for equitable development. Similarly, a nation must be organizationally integrated to promote widespread participation in economic activity. Uphoff and Esman have found that if development is to occur in poverty-stricken rural areas of Asia, then development functions must be shared among public and private, national and local organizations and central government and local resources must be matched with those of private sector and political organizations. Development depends on establishing and strengthening linkages between and among organizations through continuous interaction and exchange of information and other resources. Thus, bringing rural areas into the national economy requires both spatial and organizational interaction. "What count," Uphoff and Esman report, "are *systems or networks* of organization, both vertically and horizontally, that make local development more than an enclave phenomenon."[80]

7. Providing information, training and assistance to private entrepreneurs and regional development agencies to increase their ability to identify, prepare and execute investment proposals

Central government planners can play an important role in expanding entrepreneurial activity by transferring information concerning innovations in

[79] Ibid.
[80] Norman Uphoff and Milton Esman, *Local Organization for Rural Development: An Analysis of the Asian Experience* (Ithaca: Cornell University Center for International Studies, 1974), p. 13.

production technology, marketing and distribution, and changing trends in resource processing techniques in national and international markets to organizations in the private sector and to regional and local development agencies concerned with expanding investment opportunities.[81]

These and similar types of decentralized planning functions are needed in developing nations to achieve the goals of growth-with-equity policy. Central economic planning can succeed only to the degree that it creates the conditions for its own demise—that it builds decentralized capacity for resource mobilization, allocation and investment, and the managerial ability to implement investment decisions so that developing nations will no longer have to rely primarily on central analysis and control.

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[81] A detailed discussion of the "entrepreneurial" functions of planning can be found in Dennis A. Rondinelli and Barclay G. Jones, "Decision-Making, Managerial Capacity and Development: An Entrepreneurial Approach to Planning, *African Administrative Studies*, No. 13 (January 1975), pp. 105–118.