

9

THE ADMINISTRATION OF PLANNING

A.H. HANSON

TODAY most countries in the world are making at least an attempt to plan their economies and there are very few that have not established a central planning agency of one kind or another. The place which is occupied by this body in the constitutional structure, its composition, internal organization, and relationships with other governmental agencies have become matters of great interest and importance to all who are concerned with the study of administration.

I therefore propose to ask what are the various possibilities in this field and to suggest some principles which might determine the choice to be made among them.

We must define the functions that a planning agency is called upon to perform, because these must be quite clear in the minds of those responsible for organizing it. The first thing to realize is that effective planning cannot be done by a planning agency alone. In a sense, planning is the responsibility of the whole nation. It is of direct and immediate concern to the legislature, the chief executive, the ministries, the public enterprises and other specialized governmental agencies, and of course, to all lower governmental formations such as local authorities. Furthermore, it requires the advice and if possible the consent of a whole host of representative institutions, such as chambers of commerce and manufacturers' associations, trade unions and cooperatives. Indeed, there are some who would regard it as the main duty of a central planning agency

Lecture delivered on 4 October, 1962

to criticize and coordinate the sectoral and local plans which have been drawn up initially by others. That, however, would be to go much too far, and it is certainly not an assertion which I myself would make. 'Planning from below', although necessary to ensure that plans are realistic and that there is a widespread interest in their success, is subject to severe limitations. If the plan is to be a genuinely national plan, then some initial guidance must be given to the lower units so that they are fully informed of the general framework into which their individual plans must be fitted and the resources which are likely to be available to them. In other words, they have to be presented with a draft which is drawn up by the central planning agency and at least provisionally approved by the highest political authorities.

In practice, of course, this draft will not be formulated in a vacuum by the planning agencies. It will incorporate at least some of the ideas and objectives put up by the various executive bodies whose relations with the planners must be close and continuous. Although macro-planning has logical priority, the actual drafting process will inevitably involve a rather complicated interplay between the macro and the micro. Nevertheless, unless the general targets are centrally indicated at an early stage, the available resources estimated and provisionally allocated, and sectoral balances at least roughed out, 'planning from below' will get nowhere in particular, and may come to be regarded by the people who take part in it as a somewhat superfluous exercise. I think India had some experience of that sort during the course of the preparations for the Second Five Year Plan, an experience which caused the planners to make certain rather important changes in their methods and approaches when the Third Five Year Plan was being formulated.

When the discussions on the draft plan are completed and the final document has been sent up to the political authorities for approval and implementation, the duties of the central planning agency are of course by no means over. Indeed in some respects they have only just begun. If the plan is a middle-term one, that is a four or five years one, as most of them are, the planners will have to advise on its breaking down into yearly plans and the translation of the relevant parts of these yearly plans into budgetary terms. They will have to watch and record the movements of the economy, detect deviations from expected behaviour and recommend remedial

action. Such action, of course, in extreme cases, may involve very substantial modifications of the original plan itself. Moreover, long before the end of the current planning period, they will be busy recording and discovering the reasons for the achievements and shortfalls in order that they may more adequately define the tasks for the ensuing period and make the next round of planning a more realistic exercise than the last.

If it has to perform all these duties, such an agency needs to have on its staff, not only people who are familiar with the various sectors of the economy, but a hard core of technicians who are skilled in the science of economic analysis at the so-called macro level. Without these, planning is liable to be very little more than a somewhat indiscriminate gathering together of projects and the arbitrary cutting down of these to fit the estimated available resources. I think I can say without fear of contradiction that the First Five Year Plan in India was rather like that. I am not suggesting for one moment that it is a futile procedure. The First Five Year Plan was anything but futile, and I believe that valuable results have accrued from such 'rule of thumb' methods, particularly in countries which are at a comparatively early stage of economic development, when statistics are rudimentary and technicians are extremely scarce. But I think it will be generally agreed that such methods need to be transcended as soon as possible. It is also clear that the relationship between the backroom boys and the planning agency as a whole need to be very carefully regulated. The same applies to the relationships between the agency itself and the people who are responsible for taking the ultimate political decisions. We have a saying in England that the specialist must always be on tap but never on top. The technician, in fact, cannot be allowed to prescribe, but his voice, nevertheless, must be clearly heard so that the decision-maker who chooses to disregard his advice knows exactly what risk is being taken, and if he chooses to take that risk what the consequences are likely to be. The difficulty is always to preserve a just balance between technical considerations and political considerations, because neither of them can be disregarded. Normally, as the politician always has the last word, it is usually important to tip the existing balance somewhat in the technician's favour; and that is an action not always to the politician's taste. So the status of the planning agency and the relationships which it establishes with the other agencies of government, upwards, downwards, and sideways, are of vital

concern.

I think it can be safely said that the status and therefore the influence of the planning agency is likely to be highest when it is under the chairmanship of a Prime Minister or Chief Executive (according to the constitutional system) and when it numbers among its members some of the leading ministers concerned with the formulation and execution of economic policy. This is quite clearly the case with the Indian Planning Commission which, as you know, is chaired by the Prime Minister and contains three other ministerial members, one of whom, appropriately enough, is the Minister of Finance. The Turks, who have taken to economic planning very recently, have adopted a similar type of organization. In this case, however, a formal distinction is made between a Planning Board which is mainly ministerial in composition, and a planning organization, which is responsible for supplying the board with technical advice. In practice, the organization draws up the plan according to the terms of reference given to it by the Board.

This intimate association of leading politicians with the preparation of a plan is said by some to have serious disadvantages. The Estimates Committee of the Lok Sabha, for instance, had certain things to say on this subject. The status of the planning body as a staff agency, it argued, is undermined by having ministers on it; it becomes something more than advisory but less than executive, inhabiting a sort of unhappy half-world. Moreover, the recommendations which emerge from the labours of that kind of body – recommendations which inevitably become the subject of wide discussion – tend to reflect an economic rationality which has already become considerably deflected by political pressures. Consequently, the interested public never has a chance to consider the draft plan which the macro-analyst would regard as ideally adapted to the terms of reference which have been given. Those are the criticisms made and I am not suggesting that they are trivial. But more experience to date suggests that they are not decisive. To my mind, they are overcome by the fact that this type of planning organization continuously exposes the leading politicians who are its members to technical considerations which otherwise they might be inclined to ignore – and, what is even more important, commits them much more firmly to the implementation of the plan than they would otherwise be committed.

These desiderata, of course, are not necessarily achieved by a mere form of organization. Their realization will also depend on the

characters of the politicians concerned, on the pressures to which they are subject and on the general political situation. When these are unfavourable, as they are in Turkey, for instance, at the present moment, any planning agency, however well-organized, will be just left high and dry. But that is no excuse for failing to organize a planning agency in such a way that, other things being equal, the maximum amount of political drive will be imparted to the emergent plans. Certainly there is a great deal of evidence to suggest that in some countries planning has suffered from the adoption of forms of organization which have relegated the planning agency to a comparatively humble and so-called non-political status. In the Philippines, for instance, the Office of National Planning has never been able to compete in political influence with such powerful bodies as the Central Bank and the Ministry of Finance. The result is that the Office of National Planning in the Philippines draws up beautiful plans but nobody takes much notice of them. It is a purely academic exercise. The so-called Ministry of Co-ordination in Greece engages in exercises of the same kind.

At the same time, dogmatism on the subject of the organization of a planning agency and its constitutional position is extremely unwise, because our experience is yet very limited, and what works well in one country works badly in another. France, for instance, which probably offers the best example of a planned economy outside the Communist orbit, uses a non-ministerial Commissariat General du Plan. Pakistan, which has certainly begun to take planning seriously since the political changes of 1958, has a Planning Commission consisting of a Chairman, a Deputy Chairman, and two other members, none of whom are of ministerial status. On the other hand, Thailand has the Prime Minister as Chairman of the Planning Commission, and the Deputy Prime Minister as Vice-Chairman; but nobody can say that Thailand is planning its economy particularly well. Nor can they say that Nepal is particularly successful in the field of planning, although the King himself is the Chairman of the Planning Commission, and the Minister of Finance is Vice-Chairman, and various cabinet ministers sit *ex officio*. So one has to use the saving phrase, 'other things being equal'. One does not necessarily put political drive into one's planning by having the Prime Minister or the King as the Chairman of planning agency and a number of other prominent ministers as its members. Hence any conclusions or recommendations on the subject of planning

organization must be very tentative. The most that one can safely say is that, in the less developed countries, the Indian type of planning organization, suitably adapted to national needs, would appear more likely than most others to give economic planning the sort of political impetus it requires to achieve any measure of success.

When a country has adopted the Indian type of planning organization, there can be no doubt about the location of the technical planning machinery (irrespective of whether it is given a distinct identity as in Turkey, or functions as an arm of the board or commission). But when this form of organization has not been adopted, there are several alternative schemes, each with its merit and demerits, which are open to adoption. One of the simplest, and perhaps the best in these circumstances, is to locate the function of technical planning in the office of the Prime Minister or the Chief Executive. This gives it direct access to the man who takes the ultimate decisions, whether on his own individual responsibility or as an expression of the collective responsibility of the cabinet. Some argue that the burden thus placed on his shoulders is too great for him to bear when it is added to all the other burdens that he carries; but while it is true that every Prime Minister or Chief Executive with any sense of duty to his country is persistently overworked, one cannot rightly regard planning as a sort of extra burden; for he cannot escape being held responsible for the success or failure of the economic plans with which his name will be inevitably identified. The solution to the problem of overwork, which is a very real one, is not to take the technical planning machinery out of the Prime Minister's or the Chief Executive's office but to ensure that the head of that machinery is a man in whom the Prime Minister or the Chief Executive can feel complete confidence and to whom he can delegate all planning decisions, save those of the greatest political importance. Indeed, in many countries, this type of solution has been adopted; for instance, Burma, Ceylon, Malaya, Venezuela and Mexico – a very mixed bag.

Another possible solution, which has found favour in some countries, is to appoint a Minister of Planning and to locate the technical planning machinery in his office. There are obvious advantages here. You can be reasonably certain that at least one person of ministerial status is giving more or less undivided and continuous attention to planning problems. But the disadvantage, which can be very grave, is that the Minister of Planning, although possessing an overall, if ill-defined, responsibility for his country's

economic future, is only one among many cabinet ministers and liable to be outvoted by his colleagues or overruled by the Prime Minister; the question is then bound to arise whether he is executive or advisory, or something of both. It is difficult to define precisely what kind of authority he is authorized to wield. This does not mean that a Minister of Planning should never be appointed but simply that it is highly dangerous to 'contract out' the planning function to someone who holds a rather ambiguous position. In India, of course, there is a Minister of Planning who, as Vice-Chairman of the Planning Commission, has a general responsibility under the Prime Minister for the efficient organization and functioning of that body. But the planning decisions are not taken by him, but by the whole commission, which is headed by the Prime Minister himself; and I do not think it is an exaggeration to say that once that has happened, ratification by the cabinet becomes almost if not quite automatic.

What about the Finance Minister? In some countries and in some of the Indian States the function of planning is located in the Ministry of Finance. In Singapore, for instance, the Ministry of Finance has an economic development division headed by a permanent secretary. It is possible that this arrangement reflects the British influence. In Britain, before the very recent establishment of the National Economic Development Council, such economic planning as was attempted fell within the province of the Treasury. This did not work particularly well, and I think it is likely to be even less satisfactory in a country which is lower in the scale of economic development. There are arguments in its favour, of course. One can argue that the planning function is naturally associated with the framing of the budget, the raising of taxation, and the control of national outlay on public account. One might argue furthermore that the Finance Ministry contains much of the necessary technical expertise, and that it is the most senior of departments with which all other departments and governmental agencies have to maintain close, and in many respects, subordinate relationships. But I think it would be quite wrong to imagine that the Finance Ministry possesses any special competence in the field of planning as we now understand it. The experts needed by the planning agency are different in qualifications and outlook from those employed by the Ministry of Finance to prepare the budget, to collect the taxes, to control expenditure, raise public loans, and supervise the central banking system and the various other things that the Ministry of

Finance does. Indeed, I might almost go so far as to say that years of experience in this ministry might actually disqualify a man for the exercise of the planning function. For planning is essentially dynamic and forward-looking. Heavy expenditures need to be undertaken in the expectation of comparatively distant and indirect and sometimes problematical returns. By contrast, you often find that a cautious and conservative spirit tends to prevail in the Finance Ministries. They are ideologically oriented towards prevention rather than towards an encouragement of expenditure. Admittedly a dynamic Finance Minister can sometimes change these attitudes. But I am inclined to doubt whether he should attempt to do so because, after all, there is a vital part to be played in any governmental system by an agency which thinks consistently in terms of economy. But that agency is not the agency which ought to do the planning. Moreover, when a dynamic minister is replaced by some of the average qualities, it is more than likely that the Ministry will revert to its usual routine. Consequently, the Finance Ministry is usually an unsuitable location for a technical planning agency. Its place in the planning structure, so to speak, is operational rather than creative and dynamic.

There are various other locations which have been tried from time to time in various countries. Sometimes planning has been given to the Central Bank. Sometimes it has even been contracted out to the universities. But we need take little notice of these eccentricities.

I have already emphasized that dogmatism in this field is very ill-advised, but it would seem to me that the two alternative systems most likely to yield favourable results, at least in the less developed countries are: (1) the system where the technical planning agency is attached to a Planning Commission, containing strong political representation, and working under the chairmanship of a Prime Minister or Chief Executive; and (2) the system where it is attached to the Prime Minister's or Chief Executive's own office.

If there are circumstances, political or otherwise, which seem to suggest another kind of arrangement, I think they ought to be scrutinized with the greatest possible care.

II

I want to turn now from the problems of administrative construction involved in the creation and the composition and the

location of a planning agency to the much more serious administrative problems which arise in respect of plan implementation. These have been discussed at great length in India and I want to select just one or two which seem to be particularly important, or perhaps unduly neglected. But first let us have a brief look at the general administrative problems involved in plan implementation. It is the merest commonplace to say that the planning sets the administrator new and difficult tasks. Take the following passage, which I think is fairly well-known, from Pakistan's First Five Year Plan:

"So far as law and order, administration of justice and collection of revenues are concerned, the system (that is the system handed down to Pakistan by the British) continues to serve the country reasonably well. However, its efficiency in these essential fields tends to invest it with a fictitious appearance of adequacy for all purposes, including the new and supremely important task of planned development. This, on the one hand, creates a psychological atmosphere of complacency unfavourable to growth; and on the other, increases the inertia of the system, its power of resisting change. The result is an inner conflict in the business of government. While government policies have a clear and definite bias in favour of development, the administrative system, wedded as it is to the status quo in its approach, organization and procedures, tends to pull in a different direction."

That was written about Pakistan. It might be written about almost any country which is attempting to develop from a comparatively low level by means of economic planning.

The remedies for these administrative deficiencies are now well known. The administrator, we are told, quite correctly, needs training of a different kind from that traditionally given, a training which emphasizes the art of management rather than the mere knowledge of the law and regulations. Within the administration, there must be greater delegation of responsibilities to reduce congestion and delay at the centre and to enable the official to react swiftly to changing circumstances and exercise his initiative in the solution of problems. In most cases, this involves a greater preparedness on the part of ministers to trust their civil servants and to ensure that only matters of really prime importance come to

rest on the ministerial desk, and not the petty-fogging day-to-day decisions. It also demands – and there has been an enormous amount of discussion about this in India – a revamping of the traditional methods of financial control through the abandonment of that meticulous checking of estimates and control of disbursements which is suitable to a more leisurely age and more negative type of administration.

I am not suggesting that these reforms can be effected by a stroke of the pen. On the contrary, they involve the most continuous struggle against ingrained habits. Even in India, where considerable progress has been made towards the accomplishment of these things, the Third Five Year Plan emphasizes very much the same administrative deficiencies emphasized in the First Plan, as is evident in the following extract from the Third Five Year Plan report:

"Our slow pace of execution in many fields; the problems involved in the planning, construction, and operation of large projects, difficulties in training men on a large enough scale, and securing personnel with the requisite calibre and experience."

Generalizing about these things the authors of the Third Five Year Plan say:

"As large burdens are thrown on the administrative structure, it grows in size. As its size increases, it becomes slower in its functioning. Delays occur and affect operations in every stage and the expected outputs are further deferred. New tasks become difficult to accomplish if the management is open to criticism. In these circumstances, there is need for far-reaching changes in procedures and approach and for re-examination of the prevalent methods and attitudes."

This is one set of problems. Then there is the problem of administrative co-ordination, which is of the very essence of planning. To break down the Five Year Plan into a series of yearly plans, to translate these into budgetary plans, to ensure that every agency, not only understands its commitments but is determined to fulfil them; to bring about continuous co-operation between the various agencies involved; all these things demand very considerable degree of administrative sophistication, a readiness to subordinate personal ambitions to the common good and an *esprit de corps* at

the top level of the kind that has given the British administrative class its world-wide reputation. Even more, it requires a government sufficiently authoritative and sufficiently determined to be able to resist all the pressures both from within and without the official hierarchy, each one aiming at deflecting the course of the plan in its own favour. Failure at that governmental level is undoubtedly responsible for the fact that Pakistan's First Five Year Plan never really got off the ground, and that the morale of those who were supposed to be implementing it was so thoroughly undermined. This, of course, is an extreme example, because the government did not give the Plan its firm endorsement and made no serious effort to enforce its discipline. I believe they are doing better now.

These, however, are what might be called straight-line administrative problems. They are problems of a kind which can be solved if there is the will to solve them, together with the necessary energy and intelligence. (A certain amount of ruthlessness may be required also, particularly in the highest political levels). The really daunting difficulties of planning, in a mixed economy, arise at the points where the administrator, in order to be effective, has to enlist the cooperation of private groups and individuals. It is here in a very well real sense that the administrator is on his own. The authority which the Government has vested in him can win passive obedience – at least we hope it can – but not the active support which is needed.

Take the district officer confronted with an apathetic municipal council, or a block development officer confronted with a community of peasants which obstinately refuses to alter its traditional methods of cultivation. Of such gentlemen, one may truly say, in the words of President Truman: "The buck stops here". The problem is one of attitude, of personal relationships, of sociological insights. At this point, the manuals of procedures have become almost worse than useless.

It is with the agriculturist that the worst difficulties are experienced; for it is a thousand times easier to restrain the exuberance of the private businessman, if that is what is required, than to dispel the apathy of the peasant. Nevertheless, I would say that relations with private business are rarely as well-adjusted from the administrative end as they might be. Obviously, the businessman must not be allowed to dominate the economy, to run it in his own exclusive interests, particularly as, in most underdeveloped countries,

that interest is often an extremely short-sighted one. But no more, on the other hand, must be treated as a parish. I think the first danger sometimes materializes in countries committed to a free enterprise pattern, and the second in countries where the emphasis is on the public sector, and where the Government has assumed a political commitment to socialism of one kind or another. In the early stages of economic development, and perhaps in the later stages as well, controls of private business are, of course, essential, if only because every kind of resource, with the exception of unskilled labour, is in short supply. If these controls are exercised in effect by the businessmen themselves, they will degenerate into a racket, and if they are operated by bureaucrats who invariably think they 'know better' than businessmen, they will become stultifying and invite almost universal evasion. In either case the plan, at least as far as the private industrial sector is concerned, comes badly unstuck. What is needed is that they should be exercised with fairness, intelligence and flexibility, and furthermore, that they should be seen to be so exercised. This, in my view, is well-nigh impossible unless the business community itself is drawn in an advisory capacity into the whole business of formulating and executing the plan, as is being done in France through the Commissions de Modernization and as is being attempted in England through the network of advisory bodies which are now capped by the newly-created National Economic Development Council. The same considerations apply with equal force to the trade union movement in those countries where it is sufficiently well-organized and sufficiently articulate to make a coherent contribution. One of the difficulties is that, in many underdeveloped countries, neither the business nor the trade union community has adequately representative organs. In some of them, moreover, the prestige of business is low, and in some cases justifiably so in view of the anti-social practices in which many businessmen engage. Nevertheless, I am convinced that the attempt to enlist the businessman's cooperation must be made, because a mixed economy, without effective business participation in the taking of important decisions, is really a contradiction in terms.

By the same token, effective peasant participation is equally essential – in fact more so, because the whole future of the economy rests upon the development of its agricultural base. But the difficulties here are absolutely appalling. For, while administrators

and businessmen at least speak in mutually comprehensible terms – they may abuse each other, but they understand the abuse – administrators and peasants might even be members of different nations. The administrator all too often appears to the peasant as the emissary of an alien urban civilization, to be treated with circumspection and suspicion, even when he comes bearing gifts, and perhaps especially then. The approach adopted by the administrator, therefore, becomes of decisive importance. He must be able, first of all, to give expression to national objectives through the formulation and the operation of a multitude of small-scale schemes and projects which are meaningful to his constituents in terms of their own experiences and aspirations; and this is not easy. For, as the Third Five Year Plan says, “the line of communication between planning for the country as a whole and for each district, block and village, is a long one and to be able to preserve broad national priorities, while seeking to adapt the plan in its myriad forms to the conditions and needs in each area and each community, is no small objective”. But even more than this, the administrator has to be willing to pocket his pride as a government servant. He has to be prepared to learn from those whom he is administering, because these not only have a fund of traditional wisdom which is not always to be despised, and inevitably a far more intimate knowledge of the local situation than he, as an outsider, can ever hope to acquire. Only if he is capable of projecting himself imaginatively into the mentality of the unlettered peasant will he be able to induce and guide the healthy growth of those self-governing institutions such as village councils and cooperatives upon which the realization of the plan objectives of the country ultimately depends.

When I want to emphasize is that, fundamentally, this is a question of attitudes rather than of organization. I think that you in India are realizing that more and more. You have changed the organizational pattern of your community projects several times, and it has become fairly evident that a mere change in organizational pattern is not in itself going to produce the results which are required. The administrator has, in fact, to adopt the unfamiliar role of persuader, demonstrator and indeed listener rather than the familiar one of giver of orders. This demands an enormous effort of psychological adjustment – so enormous that, except with most unusual individuals, it can be induced only by an elaborate course of training and indoctrination. This is generally recognized in most

countries although it is not so generally acted upon. What is less generally recognized, and I am afraid hardly ever acted upon, is that the rural administrator, the man who is responsible for carrying the plan to the rural community, needs to be selected from the very best of the administrative corps. Special qualities are required and the rewards and prestige need to be commensurate with those qualities. For the present, there are very few countries where a man is going to make a reputation or even a reasonable competence for himself by becoming an administrator in a rural area. The plums are all at the centre, in the secretariats, the departments, and the public enterprises, and the big town is inevitably a Mecca for the able administrator, as indeed it is for anyone else of more than average ability. Rural life is so ‘dull’ and so ‘uncultured’. There are no playhouses, cinemas or lectures, and little possibility of sharing one’s experiences with people of a similar educational background. Naturally, people do not want to go there if they can avoid it. To change this situation, which can be wholly disastrous for the cause of agricultural development and rural uplift, and therefore in the long run for planning, a positive revolution in government’s administrative policies is called for. As yet there has been no such revolution anywhere, and I think that is one of the main reasons why agriculture, which is everywhere the most vital sector in developmental policies, is usually the least successful of all sectors. I would suggest that if more attention be given to these and similar problems and perhaps less to such comparatively over-worked subjects – and I am responsible for a great deal of overwork myself – as the conduct and organization of public enterprises, there would probably be very much better results to record in the field of planning.

I hope I have not sounded too dogmatic. I am certainly not attempting to give any advice to this country because I am not in a position to do so. I am simply retailing some of the conclusions I have provisionally and tentatively come to – and I underline those words ‘provisionally and tentatively’ – as a result of looking at the administration of planning in a fair number of countries.