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INSTITUTIONAL FRAME-WORK OF DEVELOPMENT PLANNING

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I. Introduction

A number of ECA studies on development planning which had been conducted recently in selected African countries, particularly in Ethiopia, Morocco, Nigeria, Tunisia, and the UAR, seem to point to the importance of paying full attention to problems relating to the institutional framework of planning. The impression conveyed by these studies is that in most cases the planning techniques applied meet the actual needs of the countries while, on the other hand, the existing institutional set-ups are not always adequate to the requirements of an effective planning. Shortcomings in planning at the present stage are usually more the consequence of certain inadequacies in the institutional set-ups than in the planning techniques themselves, so that it is the former problem to which increasing attention should be paid if planning in Africa is to become more effective.

The main purpose of this paper is to consider the present circumstances, which forms of organization might prove more appropriate for planning services in Africa. This is a complicated task because it concerns a great number of public and private institutions in a country.

Planning quite obviously is not only carried out by the planning office; the basic work must be done by the ministries responsible for the various sectors of the economy; an important part in planning is also played by the ministry of finance, by the banks etc., and finally by the Cabinet and the Parliament which approve the plans. If these agencies do not have their duties in planning well defined, well co-ordinated and well carried out, the planning economic development cannot achieve its ends.

It is quite clear that there is no one optimum institutional set-up which could be applied in all countries. According to political, social and economic traditions and conditions prevailing in different countries there may be a number of equally good institutional set-ups.

The quality of institutional framework in a country from the economic development point of view depends on its fulfilling the basic conditions which make economic planning possible and without which successful planning cannot be achieved.

It can be stated that the institutional set-ups must ensure :

1. The formulation of concrete investment projects, forming the basis of economic development plans.
2. The co-ordination in real terms of concrete projects into sectoral plans and in turn of sectoral plans into one national plan.
3. The co-ordination of the national plan in real terms with the resources to finance it.
4. The adequate follow-up of the implementation of the plan.

The institutional framework should be such as to make all public agencies able to fulfill all these conditions. If this is not the case, the result of development planning would be at least doubtful.

As it was pointed out, there are various ways of fulfilling these conditions as the experience of some African countries presented below will show.

The best way to present the problem seems to be by discussing one by one the four conditions and the way they are fulfilled or not fulfilled by different institutions. Thus the problem of projects formulation, co-ordination in real terms, co-ordination with financial resources and implementation, and how they are carried out by various institutions will be discussed in turn.

## II. Investment projects

### 1. The role of projects in economic planning

The success in planning economic development depends to a great extent on the existence of concrete investment projects and on their implementation. At the very beginning of economic development planning, there existed an erroneous belief that it was enough to prepare a general plan of the growth of the national income, the general targets for the main sectors like industry, agriculture, transport etc., the overall targets for particular branches of industry etc. and then with all these targets set, the economic development could be easily achieved. Such an approach to economic planning appeared to

be completely fallacious. All the above targets are much too general in practice. In order to have development plan fit for implementation, it is absolutely necessary to have sectoral plans disaggregated into concrete investment projects, stating exactly the kind and amount of different goods to be produced, the exact date on which the production will start, the total investment costs and current costs etc. Only if all the general plans are broken into concrete projects, which are evaluated, co-ordinated and approved the plans become feasible and there arises a possibility of their implementation.

The importance of concrete investment projects in economic development planning cannot be exaggerated. In a developed, free market economy, the new projects are being prepared by private entrepreneurs according to their own knowledge and foresight of existing and future markets. The main difference in a developing economy is that the private entrepreneurs do not have the same knowledge of the future markets as the entrepreneurs in developed countries, or as the planners who visualize the trends of development of the economy. This is why in a developing country the question arises of agencies which could help draw up investment projects.

In developed countries there usually exists a number of special agencies, private or public, which project the future market trends and according to the general development rate of the economy can foresee with greater or smaller exactitude the future demand for particular commodities. On such a basis it is possible for a private entrepreneur to make an investment. In most African countries such institutions do not exist and even if they existed, such agencies would not have sufficient knowledge of future trends to make the desired forecast. This is why in a large number of African countries it generally falls to the administration to take care of investment projects.

In this respect there are numerous differences between various ministries. In ministries concerned mainly with infrastructure - like the Ministry of Health, the Ministry of Education, the Ministry of Transport and the Ministry of Communications - the problem is fairly easy. The majority of hospitals, schools, roads, railways, and postal services have been

functioning in Africa for a long time. Each of the governments had to foresee the demand for the services of these sectors, had to make concrete investment projects and assume the responsibility for carrying them out. For this reason, the above ministries, practically in all African countries, seem to be in a position to prepare adequate investment projects in their respective fields, and also to adapt the programmes of development to the existing financial and other resources. In agriculture the conditions for drawing up investment projects do not seem to be so good as in the above sectors, but on the other hand they are on the whole better than in industry. Although some big new industrial schemes may be difficult to establish, quite a number of general projects are taken up by governmental agencies. For example, the state agencies take care of extension services, of experimental farms, irrigation schemes, etc.

In industry the problem of preparing investment projects is of quite a different nature. From the point of view of development, industry is the most important sector of the economy. It can even be said that the rate of growth of industry largely sets the pace of economic development. In the majority of African countries, industry is little developed, and there are few entrepreneurs who have sufficient know-how to prepare industrial projects and launch industrial ventures. In industry there also exists a heavy competition of foreign firms from the developed countries in whose interest it is to export industrial goods to African countries. It creates additional difficulties for beginning new industrial enterprises. At the same time, industry in every African country is a sector which up till now has been almost entirely the function of private business; for this reason the experience of governmental agencies in starting new industrial projects is usually modest.

Thus the conditions prevailing in industry could be summarized :

- (a) There is a great need for industrial projects.
- (b) The experience of private entrepreneurs is small and their possibilities are limited.
- (c) The experience of governmental agencies and especially of the Ministry of Industry is scanty.

This is why the most important problem is to have such an institutional set-up which would enable the industrial, particularly manufacturing projects to be supplied adequately. The same can be applied to other sectors such as mines, etc.

## 2. Different approaches to a development plan

There are various classifications of approaches to establishing a development plan. The most important from the point of view of this paper are the following :

There is a so-called division between the demand analysis approach and production possibilities approach.

The demand analysis approach consists of the determination of the proposed composition of demand based on the projected increases in total consumption, on the known income elasticities of demand and on other relevant considerations. The determination of the composition of demand enables us to arrive at the production targets for particular commodities.

The production possibilities approach concerns itself in the first place with the problem of planning production and the allocation of resources. Although it takes into consideration the composition of demand, the main attention of the latter approach is focused on the relation between the long run economic growth and the structural changes in the economy. The allocation of productive resources is decided from the point of view of existing possibilities of increasing the quantity and improving the quality of production.

It is quite clear that in no country can these approaches be applied exclusively. It is the combination of the two that is generally used. Nevertheless, in some countries there is more stress put on the first approach and in others on the second.

The other classification of approaches distinguishes between the programming approach and the project approach.

The programming approach starts from the overall targets of national income, then estimates the levels of consumption, capital formation imports, exports and other aggregate economic magnitudes. Then these aggregate totals are broken into magnitudes concerning sectors, branches and particular products; finally the projects have to be prepared.

The project approach starts with a number of particular projects which later are co-ordinated with each other, some of them being rejected, other new projects added, and then the targets for the particular products, for the sectors and finally for the whole economy are arrived at.

Although there are some quite serious differences between these two

kinds of classifications of approaches to development plans, nevertheless, there is also a certain similitude between them. The demand analysis approach must also start with the programming approach and overall targets. The production possibilities approach, although it is closely linked with overall targets concerning the structural changes, must be based on concrete projects.

In effective development planning both problems must finally be solved: the setting of overall economic targets and preparing investment projects; it is only a question of order in which these problems are settled.

The programming approach, as applied in some African countries, may create the danger of having the overall targets set without the projects being finally prepared. On the other hand, the project approach creates the danger of having at its disposal a relatively small number of projects that finally may lead to a comparatively modest rate of growth. In a successful development plan both these dangers must be avoided. This can be achieved by making certain that whatever the first approach is, the number and quality of investment projects are adequate.

### 3. Who prepares the projects

As it was explained above there is not the slightest doubt about the necessity of having concrete projects in order to draw feasible economic development plans. The only problem which arises is who is going to make these projects and be responsible for them ?

Virtually there are a number of different firms and institutions which prepare the projects.

First of all, there can be an unlimited number of domestic and foreign firms interested in the development of the country which could prepare the projects.

Secondly, the ministries in question can be made responsible for it. It would require establishing special departments in each ministry responsible for studying the demand for particular goods and services, and the possibilities of constructing factories or establishments to supply the commodities or services to meet the existing demand. Especially in the UAR and Mali the ministries were for a long time in possession of a number of concrete projects. For this reason, in these particular countries there seems to be

no necessity for creating special agencies.

Thirdly, there may be some special agencies to take care of studying demand and preparing investment projects. Such agencies are met in Tunisia - SNI (Société nationale d'investissements) in Morocco - BEPI (Bureau des Etudes de Projets Industriels) and in Nigeria - Development Corporation and Financial Promotion Corporation. These institutions are charged with preparing concrete investment projects and even implementing them if necessary.

As it was already pointed out, the main problem does not lie in who prepares the projects, but in having the existing agencies fulfill their functions and prepare them. Theoretically speaking, private firms - domestic and foreign - could supply a sufficient number of projects. However, experience shows that even in countries like Nigeria, in which private business is full of initiative, the numbers of projects may not be adequate. For these reasons it is absolutely necessary to have some public agency charged with the duty of preparing the projects. It could be the special department of a ministry in question, or a special research institution such as SNI in Tunisia or the Development Corporation in Nigeria. If private business is full of initiative and full of new ideas, the function of this public agency may be fairly limited and it may only consist of supplying projects which are important from the overall economic point of view and which are not sufficiently considered by the private business. In the majority of African countries, however, it is to be expected that the part to be played by the ministry or by the special institution would be much greater and that it would befall these institutions to prepare the majority of investment projects, specially in the industrial sector.

In some countries, as Ethiopia, the lack of initiative on the part of the private sector, the lack of experience on the part of Ministry of Commerce and Industry and the lack of a special agency resulted in the Planning Office and the Ministry of Finance proposing industrial projects. In practice this did not always give satisfactory results, and recently a special Technical Agency was created to propose and promote industrial projects.

As it will be explained later in the section on the Planning Office, these functions should not be performed by this office.

The fact of having a number of investment projects prepared by some governmental agencies does not decide the problem as to who will be implementing the industrial projects. The main part to be played by these agencies is to prepare good investment projects. After the projects have been prepared they can easily be presented to private businessmen if the government wishes to promote private enterprise. Special economic incentives (cheap bank loans, tax reductions, etc.) may be given to the businessmen who would not be ready to do it, and the projects necessary for the economic development of the country should be implemented by some governmental agency and eventually sold to the private businessmen after the production is started. The SNI in Tunisia performs both these functions, i.e., prepares projects and if necessary launches them.

#### 4. Evaluation of the projects

It is not enough to have the projects prepared unless they are evaluated from the point of view of their economic usefulness; that is, from the point of view of their value to the economic development of the country; from the point of view of profitability in the narrow meaning of the word; from the point of view of feasibility; and finally from the point of view of consistency with all other projects.

In the case of private firms, using their own capital, the possibilities of evaluation are fairly limited. Nevertheless, it is advisable to make some effort even in the case of the private sector because bankruptcies of private firms may discourage businessmen. In other cases, however, where private entrepreneurs are using the capital of the state banks, state aid, or in the case of mixed enterprises and public firms, the evaluation of the project must be made. It should be the duty of the responsible ministry to evaluate the projects from all the points of view mentioned above.

The evaluation of the project from the point of view of consistency with other projects comes under co-ordination of the projects and will be discussed in the following chapters.

### III. Co-ordination of projects and plans

#### 1. The role of co-ordination

The most important part of planning economic development is the co-ordination of projects and of plans. There is no comprehensive economic planning on a national scale without proper co-ordination. The term co-ordination is a very broad one, and a number of different kinds of co-ordination can be distinguished. There are two most important kinds, however, that must be considered here: the first is the co-ordination of the various projects into sectoral plans in real terms and moulding them into one national plan. The second is the co-ordinating of the national plan in real terms with the different resources to finance it.

The first kind of co-ordination in real terms must be made at least in two different stages. The first stage consists of co-ordinating different projects into one sectoral plan. The latter stage is the co-ordination of sectoral plans into one national plan.

In the first stage of co-ordination and in the preparatory work for later stages, the most important part should be played by the ministries. In order to perform this duty adequately the ministries must have adequately organized planning departments.

As it was mentioned above, in the case of ministries of health, education, transport and communication it befalls these departments to prepare also the investment projects. From the point of view of present considerations these ministerial departments must co-ordinate the projects and mould them into one sectoral plan. To have a clearer view of the different tasks of these departments it may be useful to enumerate them. Thus the departments should :

- (a) Prepare sectoral projects (if there are no special agencies to do it).
- (b) Participate in sectoral planning committees (described below).
- (c) Present final proposals of sectoral plans.
- (d) Propose the sources of financing the plans (budgetary capital estimates, bank loans, and foreign aid).
- (e) Participate in interministerial co-ordination committees.
- (f) Follow-up the implementation.

The project-preparing activities of the ministerial departments are greater in Mali and UAR/<sup>than elsewhere</sup> as it was explained earlier. In all cases they perform an important part in the sectoral co-ordination of projects.

So far as co-ordination inside one sector is concerned, it should be done chiefly by the respective ministries; otherwise it is difficult to have it done properly. On the other hand, the ministries, not knowing the general trends of the development as well as the central planning office, may not be prepared to carry this kind of co-ordination on their own. This is why the co-operation of the planning office is necessary here. Finally, some experts and the representatives of private and public firms of the sector are very welcome. For these reasons the most popular solution in African countries consists of creating sectoral planning committees composed of all representatives mentioned above.

The most important tasks of the sectoral planning committees are the following :

- (a) Working out an outline of development of the sector in question.
- (b) Evaluation of the projects prepared by the ministries, special agencies and private and public firms.
- (c) Presentation of the complementary projects of other sectors on which the implementation of the projects in the given sector depends.
- (d) Working out the co-ordinated proposal of the sectoral plan.
- (e) Considering the resources by which the projects of the plan are to be financed.
- (f) Discussion of the follow-up of the sectoral plan.

It should be underlined that the sectoral planning committees should consider not only the public projects but also the private projects. In the case where investment projects of private firms are not in accordance with the annual plans the committees should try to supply special incentives for the private investors in getting a reduction of taxes, bank loans, etc.

In Tunisia for instance there are as many as forty such committees; in Morocco there are only fourteen; in UAR there are fifteen sectoral joint committees with sixty sub-committees. In Ethiopia it is proposed to establish about ten.

The main work of these committees consists of preparing the co-ordinated sectoral plans. The co-ordinated plan means the plan for a given sector in which all the projects are adapted to each other, and among which all discrepancies have been removed. These sectoral plans should also make some suggestion as to the method of financing the projects. When these sectoral plans are prepared, the first stage of co-ordination in real terms is achieved.

In the countries in which there are no such sectoral committees, the work of co-ordinating the projects inside the sector befalls the ministries or the department of the central planning office.

The second stage of co-ordination in real terms consists of co-ordinating all sectoral plans into one national plan. At first it has to be done in real terms.

There are two main difficulties in adapting the sectoral plans to each other. The first is of the technical nature, because each major project in one field usually requires complementary projects in other fields. These complementary projects are quite often necessary conditions for establishing the main project. For example, a factory in a newly developing country may require the construction of an improved road or of a new railway line. Thus, the technical difficulty lies in remembering all complementary projects and having them introduced into the plan of other sectors.

The second difficulty is of quite a different nature, that of co-ordinating the plans of two independent executive agencies, such as ministries. Coming back to the previous example, one can see the difficulties in obtaining agreement of the Ministry of Transport and Communication to the construction of a new road which does not fit exactly into the general plan of the road network conceived by these ministries.

When the co-ordination of all sectoral plans is performed and the proposal of the national development plan is ready, the time has come for co-ordinating the plan in real terms with the financial resources at the disposal of the country. Quite often the co-ordination of the sectoral plans and moulding them into one national plan, and the co-ordination of national plan in real terms with financial resources are done at the same time.

Contrary perhaps to expectation, this part of co-ordination is not at all easier than the previous one.

First of all, the difficulty in this case lies in the existence of many sources of financing economic development. The main sources of financing are as following :

- (a) Budgetary capital expenditure
- (b) State and private bank investment loans
- (c) Foreign aid and loans
- (d) Domestic private funds

It should be stated right at the beginning that in African countries domestic private funds play a relatively small part. Much bigger although still relatively small is the part played by domestic bank loans. The really important role, however, is played by the budgetary capital expenditure and by foreign aid and loans. The difficulty in co-ordinating the flow of investment funds coming from all these different sources lies in the fact generally that they are not all sufficiently subordinated to one executive governmental agency which could co-ordinate their flow.

Secondly, the co-ordination of one national plan in real terms with limited financial resources requires the cutting out of a number of projects on account of the scarcity of funds. This means not only setting up an order of priorities inside one sector, but also comparing from the point of view of the national importance projects from different sectors. For example, deciding whether it is better to build a school or a factory when there is a lack of sufficient funds to finance both of them. This requires power superior to those possessed by individual ministries and the knowledge of all the facts concerning all the factors. To achieve this kind of co-ordination the existence of the central planning office is necessary.

## 2. The central planning office

In every country planning economic development there must be a central planning body which, in this paper, will be called the central planning office, or planning office for short. In practice it may be Planning Committee (UAR); Ministry of Planning and Co-ordination of Economic and Financial Affairs, (Mali); Ministry of Planning and Finance, (Tunisia); Imperial Planning Board Office (Ethiopia), etc.

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This body is basically of a technical and not executive character.

There is no doubt that the central planning office plays a leading role in planning economic development of a country. Nevertheless, the part to be performed by the planning office is quite often not clearly understood. The idea that the planning office should prepare projects or detailed sectoral plans is entirely false.

The basic work in planning must be performed by the ministries, or to be exact, by the ministerial planning units. It is indisputable that the ministries must be responsible for the economic activities in their respective sectors in a country. They must know more than any other government agency about the economic and social problems of their sectors both in private and in state domain. There can be no misunderstanding about this fact. Under such circumstance it must be the ministries and specially their planning units which must do the majority of the planning work. This work cannot be done by the central planning office which has no adequate human and material resources to perform these tasks. It is true that a part of this work is being done by the sectoral planning committees on which the representatives of the planning office take part. It is also true that in some countries the share of the ministries in preparing the sectoral plans is greater than in the others. Nevertheless, the fact remains that the sectoral plans are predominantly the domain of the ministries.

The duties of the planning office are of quite a different nature. They could be summed up in four main points :

- (a) The planning office elaborates the general objectives of the long-term and of the annual plans.
- (b) It co-operates with the ministries, especially during the meetings of the sectoral planning committees in preparing the sectoral plans.
- (c) It co-ordinates the sectoral plans into one consistent national plan; the co-ordination being of two kinds:
  - (i) Co-ordination of sectoral plans in real terms;
  - (ii) Co-ordination of the national plans in real terms with the financial resources.

- (d) It follows-up the implementation of the plan, takes the appropriate measures if it is not being implemented and makes adjustments in the plan if some changes arise in the economic and social conditions of the country.

The organization of the planning office is a very important issue in these circumstances. Whatever its actual organization may be in different countries, its departments must fall under three different groups. The first group must be responsible for studying the economic conditions of the country, preparing a general outline of economic development and making a projection of future possibilities. The second group must be of a sectoral character and must co-operate with different ministries. Finally the third group must ensure the co-ordination of different activities.

In countries where economic development planning has reached a higher stage there usually exists a department for regional planning. The tasks of this department are three-fold. The first task is to serve as a link between the regions and the center. The second task is to co-ordinate the plans on a regional basis. The third task is to take care of the appropriate development of different regions.

The part played by different departments of the Planning Office depends to a great extent on the position of this agency in the general governmental set-up.

Here a very general classification of the principal types of possible set-ups could be introduced. This classification is only of a very approximate nature and it may be difficult in practice to determine to which type of the institutional set-up a given country belongs. What may be called the first and most radical type of set-up consists in having the planning office at a higher level than all other ministries. In this case the chances of ensuring the necessary degree of co-ordination would seem better. It is, however, necessary to remember that under such circumstances the planning office performs two different functions : one characteristic of a technical agency and the other of a decision making body. Such an arrangement which is rather typical of the centrally planned economy is unusual in Africa. The nearest to it was a proposal made in one African country, but not yet accepted, of

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creating a post of deputy prime minister for economic affairs with a planning office as his secretariat and the most important economic ministries (ministry of finance included) subordinated to him.

The second type of set-up, or rather number of set-ups, consists in having the central planning office at a level not higher and not lower than all other ministries. Here a number of different cases are possible. In some countries the planning office is formally a ministry, as in Mali. But even in this case it is not exactly similar to all other ministries, because it is a technical co-ordinating body without the executive character of other ministries. In other cases it is an independent body usually attached to the prime minister's office as in Ethiopia and Morocco. The main characteristic of this solution is that the planning office is an agency of a technical character distinct from the decision making body. The latter usually is the cabinet, the planning council etc.

In this case, the planning office proposes the means of achieving co-ordination but the decisions resulting from the co-ordination itself, which have to be imposed to all other ministries, are to be made by a higher decision making body.

What is important in this set-up is that the co-ordination proposed by the planning body must relate both to co-ordination in real terms and with financial resources. The same applies to the decision making body. In an African country where the Planning Board approves only the plan while the capital expenditure budget is formerly approved by the cabinet and the parliament, this solution is not likely to give good results; the prerequisite for effective planning being that the same decision making body approves not only the co-ordinated plan in real terms but at the same time allots all financial resources necessary to carry it out.

The third type of set-up is really in between the first two. Formally it belongs to the second type, virtually to the first. It is applied in some African countries such as Tunisia. It avoids some difficulties by having the planning office organizationally united with the ministry of finance. In this case, the same ministry of planning and finance co-ordinates the national plan both in real terms and with financial resources.

It is all the more important that the ministry of finance is not only responsible for the capital expenditure budget but at the same time controls to a great extent; or at least has a large influence on the banks and the flow of foreign aid and loans. Although the ministry of planning and finance is theoretically at the same level as all other ministries, the co-ordination of plans and the enforcement of the decisions resulting therefrom do not create special difficulties because they control the most important financial resources of the country.

In some countries, where the ministry of finance is very strong and not planning minded, it has completely subordinated the planning activities to the somewhat narrower views of the specialists in public finance. This is why it is sometimes felt that the planning office should be separated from the finance ministry.

In the case of a set-up of the second type, in which the planning office is at the ministerial level and the decisions concerning co-ordination are taken by another body, it has been found convenient to secure an intermediate stage between the proposal of a co-ordinated plan by the co-ordination department and the final decisions. Generally a co-ordinating committee is formed to settle the controversies and make preliminary decisions. It is composed of the sectoral ministers, or their representatives, the finance minister, representatives of investment banks, members of the planning office and eventually of some experts.

Such a committee co-ordinates the plan in real terms and with financial resources on the basis of the planning office's. Only if agreement cannot be reached between its members, are the special cases presented to the decision making body which, in any case, must approve the final proposals of the committee. Such committees exist in Morocco, Nigeria and the UAR.

In the case of the third solution, i.e., an amalgamated ministry of planning and finance, the situation is much simpler. Although there exists a co-ordinating committee like those described above in the form of economic and social councils, its role is less important as most of the projects and plans are co-ordinated and decided upon within one ministry.

In one African country until recently there was no committee co-ordinating the plan in two ways. The plan was prepared to a large extent by the planning office with only a limited co-operation on the part of the ministries. It was thus co-ordinated in real terms by the planning office only. There was no co-ordination of the plan in real terms with the financial resources. As the capital expenditure budget was prepared several months in advance of the annual plan it was the former which played the leading part in directing the economic development. The ministry of finance had a strong influence on the investment loans granted by the banks. This is due to the fact that officials of the ministry of finance are on the governing boards of the banks. Under such circumstances the effects of planning could be much improved by institutional changes. In view of the situation, the country in question is considering the establishment of a co-ordination planning committee as a co-ordinating body, and of an economic and social committee of the cabinet as a decision making body.

The moment the decisions on co-ordinating the plan in both ways are taken and approved, the preparatory stage is over and the stage of the implementation and follow-up of the plan is reached.

#### IV. Follow-up of the implementation

##### 1. Necessary preconditions

The idea of limiting development planning to the plan drawing phase had prevailed for a long time among economists. Everybody realizes now that this is only a first phase; the second, equally important, is that of implementation. It is quite clear that the implementation itself is mainly the concern of the executive agencies. Nevertheless, the current follow-up of the implementation is also a part of economic planning.

The timely arrival of reports on the execution of economic plans and especially of investment plans in case of failure in reaching the targets in time, enables to take appropriate measures to speed up the implementation or to adapt the plan to the changed conditions. It is all the more important since quite often the implementation of the plan in one sector conditions its implementation in another; for instance, it may not be possible to start building a factory before the construction of a new road has been completed.

In spite of this widely acknowledged importance of an adequate organization for the follow-up, it still leaves much to be desired in a number of African countries. A reason for this may lie in the fact that quite often a number of necessary conditions are not fulfilled. Some of these relating to the way in which the plans are being prepared by different institutions may even be called preconditions; they have to be fulfilled in order to make the follow-up of the implementation possible. They can be approximately listed as follows:

1. The long-term economic development plans must be broken into annual plans. It is not sufficient to prepare targets for particular sectors for a period of, say, five years. These long-term targets must be broken into annual targets. It is not enough to say that during the five year plan, five slaughtering houses are to be constructed in the country. Unless it is exactly stated how many are to be built in each of the five years, it is impossible to check whether the plan has been implemented or not, because the responsible ministry may always say that it plans to build all five in the last year.

2. The resources to finance the plan must be disaggregated according to both time and sectors. For instance, in the plan of an African country there is a breakdown of the total funds by sectors and by years, but the two are not properly correlated. It is possible to know the total investment fund of the economy during each year. But this does not permit to know the investment fund of a sector during a given year. Similarly, in another African country, the five year plan was not broken down into annual plans. Under such circumstances, it is absolutely impossible to follow-up the implementation of the plans in individual sectors and alert the responsible ministry if the planned targets have not been reached.

3. If their annual plans in real terms do exist together with corresponding financial resources for each sector, the follow-up is possible but it cannot be very detailed. Besides this can be achieved only after the end of the year, which is too late to take appropriate measures to speed up the slow implementation or to make adjustments in the annual plan. In order to enable a more accurate follow-up and have it at quarterly intervals it is necessary to have the annual plan disaggregated into concrete projects. These concrete projects should in turn have fixed dates of implementation or even be broken down into parts to be completed in the course of each quarter.

All these three preconditions require the assignment of special duties to the agencies in charge of the plan, i.e., primarily on the ministerial planning departments and the central planning offices.

## 2. Conditions necessary for the organization of the follow-up and implementation

When all the three preconditions above are fulfilled the follow-up and implementation are theoretically possible, but further organizational problems have to be solved in order to carry out the follow-up and enable implementation.

1. The organization of an adequate statistical service is the first and most important problem to be solved. It could be split into a number of separate sub-items.

- (a) The central statistical office must be an independent organ; no ministry should be in a position to modify the data collected and processed by it.
- (b) There must be some legal ground for obliging all public and private institutions and firms to supply regularly the statistical data requested by the central statistical office.
- (c) The data concerning the follow-up of the plan to be collected must be decided upon by the central planning office.
- (d) the data must be processed as quickly as possible.
- (e) the accounting of the firms and ministries (specially those of the ministry of finance) must be such as to enable the follow-up both in monetary and in real terms, (for instance they must be such as to indicate not only that so much money allotted to a given road was spent in the third quarter but also the length of the road constructed during the same period.)

With the preconditions fulfilled and on adequate statistical service the follow-up is rendered possible. However, it is not an end in itself. It is carried out in order to enable the introduction of special measures in case the targets have not been reached.

A very important problem in the implementation of the economic plan is avoiding the wastage of resources. If it appears that certain human, national and financial resources cannot be used in implementing a project during the year, a good and quick follow-up in revealing this state of affairs would make it possible to use these resources for implementing another project. The number of financial resources not used in one year must be considered as a loss which cannot be recovered in the following year. In order to avoid such losses two further problems must be solved.

2. Some agency must be made responsible for the implementation of each project. It is not enough to have concrete investment projects in each sector planned over a given period of time. It is also necessary to have somebody responsible for its implementation.

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In the case of public or mixed public and private projects, it is the ministries or other administrative bodies which should be responsible, but if the projects are financed out of the budget, the ministry of finance should follow the implementation as well. In the case of private projects which are partly financed by state bank loans, the bank should also be obliged to follow-up the implementation, and in case of deficiencies further instalments of the loans should be stopped. If the private firms benefit from tax reduction, customs duties reductions, or the like, it should be up to the respective ministries to follow-up the implementation of their projects and eventually abrogate the benefits if the firms do not reach the planned annual targets.

If one ministry is responsible for two projects and sees that the implementation of one during the current year meets with great difficulties, it should consider moving the human, natural and financial resources from this project to another. In such a way the waste of resources could be avoided.

3. The last problem to be solved is that of the agency taking the responsibility for the implementation of the whole national plan. Quite often it is not only one project that cannot be implemented but a number of projects in a given sector. In this case there must be an agency above the ministries which can make the responsible ministries apply the appropriate measures to speed up the implementation in a given sector, particularly if this state of affairs is the result of a negligence of the ministry.

If it becomes apparent that the plan will not be fulfilled in the given sector, this super-ministerial agency must decide to move resources from one sector to another.

In both these activities three stages must be distinguished: the evaluation of the existing state of implementation, the proposal of some measures or changes and the taking of decisions.

In the institutional set-up where the central planning office is above the level of other ministries or when there is one ministry of planning and finance, these three stages are to be carried out by the planning office. Such is the case in Tunisia where the ministry of planning and finance performs these three functions.

In the case when the central planning office is at the ministerial level, it must perform the functions relating to the first two stages while the third is left to the decision making body, usually the cabinet. In the UAR which belongs to this category, it is the ministry of planning which follows up the implementation of the national plan and it is the ministerial committee for planning which takes appropriate decisions.

V. Summing up

A short summary of the conclusions reached above may help to obtain a clearer view of the problems involved.

The general institutional set-up of all planning agencies is of crucial importance for successful development planning. Different frameworks are possible but whatever form they might assume they must ensure the performance of certain vital functions.

1. The first of these functions is probably to supply concrete investment projects. This can be done by:

- (a) Ministries
- (b) Special agencies
- (c) Private firms

2. The second function is the sectoral co-ordination of projects which may be achieved by either of the bodies enumerated below:

- (a) Ministries
- (b) Sectoral planning committees

3. The third function is that of co-ordinating sectoral plans in real terms and moulding them into one national plan. The agencies responsible for this should be:

- (a) The central planning office
- (b) The central planning office, co-ordination committee and decision taking body.

4. The fourth function of co-ordinating the plan with the financial resources, is usually done by:

- (a) The central planning office
- (b) The central planning office, co-ordinating committee and decision taking body, or
- (c) The ministry of planning and finance.

5. Finally the follow-up and implementation must be performed by:
- (a) The statistical office, planning office and decision making body or
  - (b) Statistical office and ministry of planning and finance.

If any of these set-ups exists and if the institutions entrusted with planning duties perform them satisfactorily, the development planning should be able to give good results.

A final point must be underlined. It is not enough to have any of the functions above performed adequately by the existing set-up. The institutional framework must be such that all the functions are performed simultaneously: if any of them is not carried out, failure must follow even if all the others were done excellently.

COMPARATIVE TABLE OF INSTITUTIONAL SET-UPS

|                               | Ethiopia  | Mali  | Morocco   | Nigeria   | Tunisia   | U A R  |
|-------------------------------|---|---|---|---|---|--|
| Objectives                    | Planning Office                                       | Committee on Planning & Economic Directives | Planning Office   | National Economic Council (federal and regional ministries)                   | National Planning Council (representatives of ministers & organization) | Ministerial Committee for Planning (ministers & experts) |
| General Projections of Growth | Planning Office                                       | Ministry of Planning                        | Planning Office   | Federal Ministry of Economic Development                                      | Ministry of Planning & Finance  | Ministry of Planning                                     |
| Sectoral Plans                | Planning Office<br>Ministries,<br>Ministry of Finance | Ministries                                  | 14 Specialized Commissions,<br>Ministries,<br>Planning Office | Regional Ministries,<br>Reg. Ministry of Economic Development                 | 40 Sectoral Committees,<br>Ministry of Planning & Finance               | 15 Joint Committees, 60 Sub-Committees,<br>Ministries    |
| Co-ordination                 | Planning Office                                       | Ministry of Planning & Ministry of Finance  | Central Research & Financing Committees                       | Reg. Economic Planning Committees,<br>Ministry of Plans & Ministry of Finance | Economic & Social Council (experts)                                     | Joint Committee for Financial Affairs                    |

|   | (Ethiopia)   | (I ali)              | (Morocco)   | (Nigeria)   | (Tunisia)                            | (U A R)   |
|---|--|----------------------|---|---|--------------------------------------|---|
| Approves                                | Planning Board<br>Council<br>Imperial<br>Planning Board<br>(I. Economic<br>& Social<br>Committee<br>2. Cabinet<br>3. Parliament<br>4. H.I.Majesty) | National<br>Assembly | I. Supreme<br>Planning Council<br>(ministers<br>representatives<br>of organization<br>& experts)<br>2. Cabinet<br>3. King | Reg. Executive<br>Councils,<br>National<br>Assembly                     | General Assembly                     | Ministerial<br>Committee for<br>Planning<br>(National<br>Congress)<br>1. Ministry<br>of Planning<br>2. Ministerial<br>Committee for<br>Planning |
| Imediate<br>Follow-up<br>Implementation |  | ?                    |   | Special<br>Regional<br>Committees                                       | Ministry of<br>Planning &<br>Finance | Ministerial &<br>Follow-up<br>Committees &<br>Ministry of<br>Planning   |
| Projects                                | Ministries,<br>Planning Office<br>(Technical<br>Agency)  | Ministries           | BEPI  | Development<br>Corporations<br>& Financial<br>Promotion<br>Corporations | SNI                                  | Ministries  |