Concept and Approaches to Development Planning

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Content of the Presentation

• Introduction

• Need for development Planning

• What constitutes development planning?

• Approaches to Development Planning

• Application of Planning Approaches and Theories in Nepal’s Plan Formulation

• Summary and Conclusions
Active Learning

Discuss these questions and Answer them in a Group:

• What is development planning?
• State the role of Government in development planning?
• Identify the approaches to Development Planning?

Note down your answers and make a short and sweet presentation – You have 25 minutes for this all.
Development Planning

• Preparation for **promoting economic growth and positive change** is development planning

• It is the **preparation of development plans, policies, programmes and projects**

• In other words, it is **a process in the formulation of effective development plans, policies, programmes and projects**

• At the national level, **periodic plan is the product of the planning process**

• Planning is to "**devise detailed methods** for doing, arranging and making something".
• Activity that involves decisions about *ends as well as means* & about conduct as well as result regarding the development action.

• It is an organized, deliberate, conscious and continual attempt to select the best available alternatives to achieve specified goals conceived in advance.

• Primary function, a mental activity, goal orientation, forward looking process, pervades managerial role, relies on facts (not guess work), flexible
Types of Development Planning

Can be classified according to:

a) **Level**: International, Regional/sub-regional, Central (national), Provincial, District, Village/ Municipal;

b) **Space**: Rural/urban, Remote/accessible;

c) **Process**: Top-down, Bottom-up; Lateral;

d) **Sector**: Physical, Agricultural, Irrigation, Environmental, Social, Infrastructure; Educational, Economic, Forestry etc.;

e) **Time**: Perspective, Rolling, Periodic and Annual;

f) **Others**: Strategic, Rational, Zero-based, Incremental.
Need for Development Planning?

Actions without planning become ad hoc and costly

1. Allocation of scarce resources for balanced development
2. Ensure long-term economic growth: increase per capita income
3. Maintain price stability and remove BOP difficulties
4. Reduce income inequalities and regional disparities
5. Promote self-sufficiency/interdependency
6. Redress imbalances in the economy
7. Increase in savings
8. Reduce population growth, poverty and unemployment
9. Provision of social services

In sum, planning is needed to realise the policies and ideals stated in the constitution of the country
Relevance of National Development Planning/Plan

- Determine what is feasible and not (Resource mapping)
- Influence decisions about priorities and resource allocation, direction and pace of development
- Establish linkages between different sectors of development and levels of government
- Ensure micro-macro linkages
- Integrate actions of different government and non-governmental agencies - SDGs
- Collaborative actions to achieve goals - Governance
- Determines the role of state and non-state actors
Economic System and Development Planning

Market Economy
  – Right of individuals to life, liberty and property (pursuit of happiness)
  – Market driven economy/Free market
  – Limited state- That state is best which governs the least
  – Less development planning

Socialist economy
  • State-owned economy: Government control over economic decisions
  • Equality at the cost of efficiency
  • Resources are allocated by governments:
    • More development planning required

Mixed economy
  – Mixture of public ownership and private ownership
  – Mixture of free markets with economic interventionism
  – Best of both market and socialist economy planning

It is also level of economic development that determines development planning.
Evolution of Development Planning

• Initially, plans were merely focused on offending and defending the state-territory

• The main tasks of the states were to defend their territory, maintain internal law and order and collect taxes

• 'Welfare functions' depended upon the degree of civilization of a community

• Accelerated industrialization widened the income gap

• Poverty, inequality and market failures

• Emergence of new challenges where market has no incentives to act
Soviet Union's 1928 Planning

• Allocation of scarce resources to competing objectives was accomplished primarily through a centrally directed planning apparatus

• As a socialist economy, a complex system of planning and control had developed, in which the state carried out virtually all economic decisions

• The Five-year Plan (1928-32) provided continuity and direction by integrating the yearly plans into a longer time frame.

• Each successful plan had the approval of the most authoritative body of the country's leading political institution.

• Planning was indeed a part of political mission.
Other Development Planning Efforts

• Until the World War II there was no serious attempt at development planning outside the Soviet Union.

• 'During the great depression' of the 1930s, many governments were forced to intervene vigorously in economic affairs, but in a manner that amounted to:
  – economic welfare;
  – giving increased protection to domestic producers against competition from abroad,
  – avoid potential price hikes, and reduce competition;

  Keynes said, “In the long-run we are all dead”.
Spread of Development Planning

• The idea of planned development spread across the developing and newly independent countries in the 1940s and 50s

• The basic aim was to do more with less address development aspirations of their people

• Various approaches and theories of economic development and planning have informed the practices of planned development across the world

• There is always an element of political-economy in Planning
Approaches to Development Planning

1. **Economic growth approach** *(14th plan - 7.2 percent target)*

2. **Strategic planning approach**
   Setting goals, determining actions to achieve the goals, and mobilizing resources to execute the actions.

**14th plan**

**Vision**
An independent, progressive, and socialism-oriented national economy and prosperous Nepalis

**Goals**
To attain the status of a middle-income nation through a welfare state with social justice

**Objective**
Social and economic transformation by reducing poverty through productive employment-oriented high economic growth with equitable distribution

**Quantitative Targets**
3. Top Down Approach

- Experts and central authorities formulate plans
- Top managers provide guidelines, information, plans and fund processes
- Top down” approach tends to **centralise decision-making**

- This is also trickle down approach - richer individuals and larger companies are the driving force behind economic growth.
4. Bottom-Up Approach

- This is “Grassroots” development approach
- The aim is to lift people out of poverty by helping them directly
- Local involvement in the decision-making and planning processes
- It is believed that identifying their needs and deciding on the most effective solution -- PAF
Other Approaches to Development Planning

1. Participatory development approach
2. Demand-driven community development approach
3. Integrated development approach
4. Inclusive Development approach
5. Targeted development approach
6. Export led growth approach
7. Import substitution approach
8. Foreign Direct Investment approach
9. Rights-based Approach
10. Low carbon development approach
11. Growth Pole Approach
12. Flexible Approach
13. Conflict-sensitive Development Approach
14. Disaster-sensitive Approach
Theories of Economic Development/Planning

Following economic development theories also influence development planning:

- Linear-stages-of-growth model: 1950s and 1960s
- Theories and patterns of structural change: 1970s
- Neo-classical, free-market counterrevolution or market fundamentalism: 1980s and 1990s
- New Approached to Development : Right based Approach/Inclusive Development

• Four major and often competing development theories, all trying to explain how and why development does or does not occur.
• Newer models often draw on various aspects of these classical theories.
Linear-stages-of-growth model

- Rostow’s Stages of Development (W.W. Rostow)
- Harrod-Domar’s Growth Model

• Emphasis was on:
  – Central planning
  – Industrialization
  – Import substitution

• Emphasized the role of accelerated capital accumulation; augmented savings/investment; and adequate supplies of foreign exchange (for imports of capital goods).

• Strong bias towards western model of modernization which tries to fit economic progress into a linear system.
Influence of Linear Growth Model in Nepal’s Planning

• Periodic Plans:

  First Plan: 1956-61 (2013-17 BS)
  Third Plan: 1965-71 (2021-26 BS)

  – Started its initial plans under the complete absence of data and information and any infrastructure to begin with

  – Plans focused mainly on growth led strategies giving priority to the expansion of infrastructures to develop industrial sector

  – Plans emphasized the role of capital formation and increase investment in the modern industrial sector.
Structural-Change Models -1970s

Proponents:
- Arthur Lewis theory of development
- Hollis Burnley Chenery’s patterns of development

- These models tend to emphasize the transformation of domestic economic structures from traditional agriculture economies to more modern, urbanized and industrially diverse manufacturing and service economies.

Shift in emphasis:
- basic needs and poverty reduction – McNamara, Nairobi 1973
- integrated area development
- investment in social sectors – human capital
- Concerns for the distributional consequences of growth; sharing benefits of development more equally
Structure change model and Nepal’s Planning

Periodic Plans

Fourth Plan : 1971-76
Fifth Plan : 1976-81
Sixth Plan 1981-86

- During early 1970s, it had become clear that the modernization strategies of the initial plans could not induce industrial investment.
- Adopted regional approach in development planning
- Adopted distributive approach in development strategies
- Nepal adopted the ideology of Basic Needs and Integrated Rural Development in this era.
Neoclassical Theories

- Neoclassical theories called for free markets, dismantling of public ownership, and government regulations
- Neo-classicist also obtained controlling power of the world’s two most influential international financial agencies
- Argued that underdevelopment is the result of poor resource allocation due to incorrect pricing policies and too much state intervention.

Focus was on:
- **Free Market Approach**: markets alone are efficient and effective
- **Public-choice theory**: Government can do nothing right
- **Market-friendly Approach**: government need to facilitate the markets
- **New institutionalism**: success or failure depend on fundamental institutions
Neoclassical Theories and Nepal’s Planning

Plans


- The failure of previous development strategies had created macroeconomic imbalances
- Accepted IMF Stabilization package and WB's Structural Adjustment Programme and shifted towards the ideology of liberalization and open market policies
- The main objectives of these plan were attainment of sustainable economic growth, poverty alleviation.

- Efforts made to adopt the market based economy by promoting private sector participation and investment and by reducing the role of the state.
Emerging Approaches to Development

Since 2000

– Much attention in this decade was on:
  
  ✓ establishment of appropriate institutions (“more important than policy”)
  ✓ promotion of good governance: anti-corruption, democracy, bureaucratic competence, corporate oversight
  ✓ Collaboration, networking

– And proposed remedies: micro-credit; social entrepreneurship
– Renewed emphasis on human capital – focus on knowledge
– Other vital areas: Redistribution and environmental impacts of growth
Emerging Approaches and Nepalese Planning

Periodic Development Plans

✓ 14th Plan (2016-2018)

• These plans focused more on poverty alleviation, reconstruction, rehabilitations and peace mitigation
• Realized that governments do fail, but so do markets; a balance is needed
• Attentions to institutional and political realities
• Focused on inclusiveness in planning
• Good governance has been in focus
Summary and Conclusions

- Development Planning is a preparation to reach the destination;
- Level of development and different approaches to development (and economic theories) influence development planning - Nepal’s development planning is an example;
- The success of planning lies in achieving a broad-based and inclusive growth rate of 8-10 percent;
- It is the weak implementation that has lead to the failure of most of our development plans, but there are Islands of successes to learn from;
- As a developing country, Nepal still needs a planning authority and development planning!
- We also need the approaches to development planning discussed above.
Question and Answer
Now Review Your Earlier Presentation to assess the Learning Outcomes!
Many Thanks