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Query: What formal and informal processes have been used for long-term national economic planning? Is there any evidence that long-term economic planning contributes to higher growth?

Enquirer: DFID Uganda

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1. Overview

There are no empirical studies on the relationship between planning and economic growth. Country growth diagnostics focus on the substance of economic policy. They rarely discuss the policymaking process, let alone the timeframe over which economies are planned, as a factor in determining the success or failure of economic reforms. Botswana, Ireland and South Korea are among the few exceptions to this rule, where the importance of long-term planning is considered to be one factor among others that contributed to sound economic policymaking, and ultimately to growth. The broader picture is less clear: some countries have had periods of planning which did not result in growth (Bangladesh, China); others (Uganda) have grown without long-term planning. There don’t appear to be any case studies which explicitly cite poor/lack of planning as an inhibitor to economic growth.

There is also no clear definition of what is considered to be ‘long-term’ planning. For the purpose of this report, it is taken to be any planning with a duration of 5 years or above. Some African countries have developed, or are in the process of developing, long-term vision-type strategies (Kenya, Rwanda). These less tangible statements usually cover a longer period (up to 25 years), but are operationalised in smaller timeframes - usually in 5-year periods. One expert commented that it’s too early to determine the success of long-term visions. They have already come under some criticism for being aspirational rather than operational; the need for flexibility can result in vagueness and governments have to take into account what will be supported by donors (Ghana). However, others strongly argue that long-term national visions really mattered for growth in countries which have achieved high growth rates in recent decades (Ireland, Malaysia, Finland and Korea, amongst others).

One difficulty in developing and holding true to long-term economic plans, or visions, is changes in political leadership (Bangladesh). Nevertheless, some argue that democracies can be surprisingly far-sighted (India, Ireland). The literature emphasises the importance of consultation, public ownership and the development of a social contract in long-term...
economic planning as a way to give plans a longer life cycle than the duration of a term in office or a particular leader or party. Other factors which are often noted as important in long-term economic planning are:

- Using technically competent technocrats to do the planning. One study of successful economies found that they all used small but highly skilled reform teams. Other countries (South Africa) have invited outside experts to support the design of long-term growth strategies.
- Long-term planning can only come with macroeconomic stability, or in other words once the basics are in place. One expert commented that there is still a focus on getting the basics right first and very little talk of long-term planning in Africa.
- Long-term plans need to be flexible to changing domestic priorities and also to fluctuations in the global economy. Plans are usually reviewed mid-term (and in Botswana, annually) to ensure they are aligned with changing needs. Malaysia accounts for some of its planning success through good monitoring.
- The process of developing plans is seen by some as more important than the resulting plan.
- Long–term planning takes up significant time, resources, and investment in institutional structures (Ireland). The institutional relationships between long-term and short-term plans are important and can be complex (Botswana).

Evidence of how long-term economic planning is actually done is patchy, and much more is available on formal institutions, and the consultation processes for developing plans, than informal ones. There is broad agreement that the process requires close co-ordination with the private sector (Botswana's long-term economic planning was initiated by the private sector). Consultation processes are often wide-ranging and complex (Kenya). Botswana combined planning and finance in one ministry to expedite the implementation of its long-term economic plans.

2. Key Documents

**General**


This report identifies some of the distinctive characteristics of high-growth economies and asks how other developing countries can emulate them. One recommendation is that countries should formulate growth-oriented strategies with time horizons of 10 years or more. The report notes that "Africa’s policy makers have spent many years preoccupied with debt, deficits, and inflation. Having won the fight for macroeconomic stability, they can now afford to think about long-term growth" (p.88).

The report argues that policy makers in fast-growing economies understood that successful development entails a decades-long commitment: “even at very high growth rates of 7–10 percent it takes decades for a country to make the leap from low to relatively high incomes” (p.26).

The report discusses the relationship between political systems and long-term planning. It finds that whilst in several cases, fast-growing economies were overseen by a single-party government that could expect to remain in power for a long period of time, in other cases, multiparty democracies found ways to be patient and maintain a consistent focus over time. Democracies can preside over remarkable passages of growth and be markedly far-sighted (e.g. India, Ireland, Australia). Rival political parties can agree on a bipartisan growth
strategy, which they each follow during their term in power, and even if a formal pact is never made, “a successful growth strategy, commanding the confidence of the public, may outlast the government that introduced it” (p.3). A social contract is therefore vital in sustaining support for growth strategies.


This study looks at how a small number of economies that have grown dramatically over the last 30 years initially organized themselves and how they embarked on their reform agendas. It finds that all these economies (Botswana, Cape Verde, Malaysia, Mauritius, and Taiwan (China)) initially relied on a small, dedicated, highly skilled reform team that was connected to the top of government. This team was in charge of formulating and updating the reform strategy, building consensus, coordinating and mobilizing resources for implementing the strategy, and, crucially, nurturing the reformist political leadership over time.

The reform teams were embedded in the policy process, but at the same time relieved of daily administrative matters and one step removed from the political front-line. Their six key functions were:

- Designing development strategies: These strategies always included a fundamental “social contract” with citizens on better health, education, and infrastructure.
- Leading the dialogue with the private sector: Economic policymaking required the reform teams to lead an intense but arm’s-length relationship with the private sector.
- Grooming political leaders: A sound development strategy is worth little if not backed by outstanding political leadership able to make tough decisions and discipline often reluctant administrations. The five reform teams benefited from plenty of outstanding political leadership.
- Leading critical policy negotiations: The reform teams brought unique skills and expertise to bear in key negotiations.
- Mobilising and allocating resources: particularly by coordinating donor support.
- Compelling the administration to act: These central, dedicated reform teams monitored progress and suggested corrective actions. “Indeed, their unique combination of monitoring capacity and access to the top (the stick) and financial and technical resources (the carrot) enabled them to compel the administration to act” (p.4).


This report concludes that countries with higher growth rates in recent decades have invested in developing long-term visions, and been successful in designing appropriate institutions to translate those visions into reality. It argues that development is more successful when there is a greater commitment on the part of all stakeholders to promote it through a common overarching vision. Case studies of national experiences of implementing a long-term growth vision in Brazil, Ireland, Peru, Chile, El Salvador, Finland, Malaysia, Mexico and Botswana are presented. Specific lessons from these cases are:

- A National Vision is key to bridging the gap between the long- and the short-term. Countries that manage to implement their Vision have institutional procedures to bridge the short and the long terms.
- A Vision must be holistic, balanced and well sequenced, reflecting and reconciling the multiplicity of interests and challenges existing in any society. It is not enough to agree on the main goals for the country; the priorities and methods for advancing towards the shared Vision must also be identified.
A Vision is a multifaceted process building on participation and active commitment of leading stakeholders. Although in some countries the Vision may be embodied in a document, the important and essential thing is the process whereby the stakeholders commit to working to build the shared Vision.

Independent institutional structures can manage conflicts and compensate stakeholders who might suffer short-term losses from the reform process. These institutions will be more effective when they share the Vision of the future, but their day-to-day tasks necessarily reflect short-term priorities.

Government and private sector can work together to set an effective policy agenda for long-term growth. Macroeconomic stability, international integration of the economy, and strong institutions are important foundations for a competitive economy but are no guarantee for sustained economic growth. Government and the private sector should establish a continuous dialogue on key policy issues. They should identify areas such as education where public policies and private sector needs can best meet to foster growth and competitiveness.

Governments must invest in institutions to facilitate the process of political and/or social dialogue and the relationship between the two. Political agreements are more solid and viable when accompanied by agreements binding on the public, as represented by social organizations. Democracy and the ability to build a national vision are strengthened by the participation and commitment of organized civil society.

The existence within parliament of a formal body to define the Vision of the future and follow up and evaluate progress greatly assists in the design and implementation of a National Vision. This body may take various forms, for example the Finnish Parliament’s “Committee for the Future”. Parliamentary approval of national development plans prepared by the Executive, can facilitate the achievement of longer-term agreements.

Policy transparency and quality are prerequisites for building lasting and enforceable agreements

The executive branch is called upon to play a central role in this country vision-building process, but this task must go beyond the scope of the government in order to be valid. Government should facilitate the process, but respect the autonomy of the process and not take ownership of it for short-term political gain.


This paper evaluates how Latin American and the Caribbean (LCR) countries operationalised Comprehensive Development Frameworks – one element of which was implementing a long-term holistic vision and strategy. Case studies from Bolivia, Brazil, Chile, Ecuador, El Salvador, Costa Rica, Dominican Republic, Mexico, Paraguay, and Peru describe how long-term national visions and development plans were created and the institutions involved.

The paper notes that many LCR countries became aware that the policy changes that come about with each new government often have a negative impact on the development process. They recognised that "in today’s world they face strong competitiveness challenges that often entail the adoption of far-reaching reforms that can only unfold and bear fruit within a long-term perspective. Thus these countries have recognized the need for a long-term vision if they are to be able to apply consistent policies over several years and achieve sustainable development results." (p.8) In most countries, the government first produces its plan on the basis of its electoral platform, and then elaborates a long-term strategy or vision (El Salvador, Mexico, and Peru). In almost all the countries, the responsibility for elaborating the long-term development vision and strategy lies within the Office of the President or the Prime Minister, while the Minister of Finance is a more reluctant participant whose responsibilities tend to focus on short-term challenges. The paper notes that “this short-term emphasis often limits the extent to which the budget can be committed to the long-term purpose.” (p.9)
**Case studies**

**Botswana**

- Patterson, S., 2006, ‘Planning and Markets’ in Economic Growth in Botswana in the 1980s: A Model for Sub-Saharan Africa
  This chapter isn’t available online, but can be obtained via the publisher, here: [http://www.africaworldpressbooks.com/servlet/Detail?no=178](http://www.africaworldpressbooks.com/servlet/Detail?no=178)

  This chapter describes the formulation of Botswana’s National Development Plans 6 and 7. It argues that this highly comprehensive, long-term planning system goes a long way toward explaining Botswana’s rapid growth in the 1980s. The author notes that other countries with mineral wealth suffered economic hard times which Botswana avoided through good planning. Planning and funding in Botswana come under the same ministry (Ministry of Finance and Development Planning) to facilitate the financial execution of plans. All ministers and senior staff are involved at critical states of formulation, elaboration and implementation. Plans are 5 year documents, revised every 3 years. The annual budget reviews progress and revises ceilings. The author argues funding was critical to the success of the plans, noting that goals with each new five year plan are flexible and change when circumstances change; and that ultimately planning has worked because of the commitment of the planners, the government and the people of Botswana to achieving economic growth and prosperity.


  This report describes the institutional arrangements for long-term development planning in Botswana, highlighting the complementary relationship between the longer-term Vision 2016 (completed in 1997) and National Development Plan 9 (NDP-9) which runs up until 2009. Botswana’s planning is described as ‘medium-term strategy derived from vision’. Vision 2016 is unique in that the initiative came from the private sector (the Botswana Confederation of Commerce, Industry and Manpower). Based on recommendations from this group, the President established a Presidential Task Group in 1996, including representatives from Government, civil society and the private sector. In 1997, following the establishment of the vision framework, the Task Group undertook an extensive consultation process among districts and urban centres. A research team from the University of Botswana surveyed citizen’s views on the Botswana they envisioned in twenty years’ time.

  For NDP-9, policy objectives reached by inter-ministerial consensus were set out by the Ministry of Finance and Development Planning (MFDP) in a Keynote Issues Paper. The Economic Committee of the Cabinet (ECC) reviewed these objectives and provided sector ministries with general and sector-specific guidelines for plan preparation. These guidelines included instructions for carrying out a consultation process with stakeholders including local authorities, NGOs, community-based organizations, and the private sector. On the basis of these consultations, sector ministries submitted outlines of their priorities along with projections of expenditures for the full plan period. The MFDP then developed a macroeconomic framework linking macroeconomic objectives with the allocation of budgetary resources. A national conference was held to formally present the draft NDP-9 where the Government requested feedback on the plan from stakeholders, including representatives from the private sector, trade unions and academia—as well as representatives from the Vision Council. The NDP was ultimately examined and approved by the Cabinet, then tabled in the National Assembly for discussion and approval. A parliamentary committee is in charge of monitoring NDP-9.

See also:

Ireland


This presentation describes the institutional arrangements that were established in Ireland in order to effectively design and implement its successful long-term national economic and development plans. At the center of the process are the three sister organizations of the National Economic and Social Development Office (NESDO): the National Economic and Social Council (NESC), the National Economic and Social Forum (NESF), and the National Center for Partnership and Performance (NCPP). The institutional arrangements established at a national level reflect the fact that in order for the reforms required to be successful, the active consent and participation of a wide range of stakeholders is needed. Such participation in turn requires institutional development at the local level, at which the government, social partners, and communities have developed expertise in dialogue and negotiation. The third core element of the Irish model is the fact that the achievement of a consistent approach to macroeconomic policy, incomes, and structural adjustment has been strongly associated with negotiated social partnership agreements. “But perhaps the real value of the various institutions is their ability to provide a safe space in which the various economic and social policy actors can engage in analysis and deliberation, while remaining focused on the larger picture and the longer-term strategic interests of Irish society” (p.65).

See also:

Malaysia

- Wee, V., 2002, ‘Role of Development Planners in a Market Economy’, Economic Planning Unit, Prime Minister’s Department, Malaysia

This paper describes Malaysia’s experience with planning, arguing that “the effective role of development planners was key to Malaysia’s success” (p.11). Development planning in Malaysia covers the long-, medium- and short-term. Outline Perspective Plans (OPPs) are prepared by the National Economic Consultative Council (NECC). The first plan covered a twenty-year period 1971-1990, however the paper notes that “from our experience with OPP1 we learnt that it was difficult to formulate developments with reasonable specificity for a 20-year period, as it is fraught with uncertainties particularly with a rapidly changing global environment.” (p.3) The planning process also involves regular and on-going consultations with the private sector. Development planning in Malaysia is further characterized by the fact that planning, which is the first part of the project cycle, is complemented by the tasks of monitoring project implementations and carrying out post-implementation evaluation or impact assessments.

See also:
- Malaysia Economic Planning Unit (EPU) - http://www.epu.jpm.my/
Bangladesh

- Farid, S.M., Integration of Poverty Alleviation and Social Sector Development into the Planning Process of Bangladesh', UNESCAP
  http://www.unescap.org/drpad/publication/ldc6_2174/chap4.PDF
This paper briefly reviews the past planned development in Bangladesh. In the three decades since its liberation in 1971, Bangladesh has implemented four Five-Year Plans and a Two-Year Plan, but has never been able to reach a 5 per cent GDP growth rate during any Five-Year Plan period. During the first three years of the Fifth Plan, the average growth has been about 5.5 per cent. The political turmoil following the assassination of President Sheikh Mujibur Rahman in August 1975 and unavailability of foreign aid prevented full implementation of the First Five-Year Plan and led to implementation of only 76 per cent of planned investment. Like the First Five-Year Plan, the Second Five-Year Plan was also interrupted by the assassination of President Zia Rahman and its implementation marred by political uncertainty.

See also:

Ghana

This paper examines the aid relationship between the Ghanaian government and donors through a focus on economic policymaking and explores the incentive structure facing politicians and civil servants. Section IV examines the different experiences of economic policymaking in two Ministries from 2001 to 2007: the Ministry for Private Sector Development and the Ministry for Trade and Industry, reviewing how policy was created in each Ministry and what it meant for ‘ownership’.

The paper argues that Ghana-Vision 2020 (produced in 1995) represents an attempt by government to increase its bargaining power over Ghana’s development strategy with the World Bank. Crucially though, the document did not hold much sway with the weightiest policy-making institutions: the Ministry of Finance perceived the Planning Commission as a rival institution, and World Bank officials feared it would lead to resurgence of old style bureaucratic interventionist policies. Even without these political constraints, the paper argues the contents of Vision 2020 would not have led to a significant departure in policy-making. “By this time, the government had learned that to secure donor support, global visions had to be adapted into their home documents. The government is constantly maneuvering between what it thinks is required for economic development and what it thinks will be supported by donors. In an attempt to leave itself space for flexibility during implementation, such documents are often lacking in detail. The Vision 2020 document was no exception and was criticized for having lofty aspirations but an absence of a clear strategy to deliver” (p.10).

See also:

Kenya

- Government of Kenya, 'The Vision Development Process’ in Kenya Vision 2030,
This document briefly describes the process for the development of Kenya’s long-term vision - Vision 2030 - describing the process of consultation via workshops with stakeholders from
all levels of the public service, private sector, civil society, media and non-governmental Organisations (NGOs). A number of provincial consultative forums were also held. To synthesize the findings, a core team of experienced technical officers drawn from government, research institutions, and private sector under the guidance of National Vision Steering Committee visited various firms, investors, farmers, and formal and informal business people in all the major sectors of our country. The team also held out-of-country consultations with Kenyans overseas who have shown great interest in helping Kenya develop into a rapidly – industrializing nation. The experts then identified sectors with the most promising potential in driving Kenya’s economic growth.

See also:

**Rwanda**

  See attached PDF
This document describes the consultation and co-ordination involved in the development of Rwanda’s ‘Economic Development and Poverty Reduction Strategy’ (EDPRS), which covers a 5 year period and is intended to form more of an operational tool than an ‘aspirational vision statement’ (which already exists in Rwanda’s Vision 2020 document) and will be supported through detailed sector strategic plans.

See also:

**Additional Resources**

The following two papers were recommended by expert contributors:

This paper reports on a programme conducted by the UN in the 1990’s to undertake Long-term Perspective Studies in a number of African Countries (including Uganda). The programme started from the premise that in addressing macro-economic considerations, the development processes, would benefit from adopting a long term planning perspective, giving proper consideration to social, demographic and cultural variables. The studies aimed to determine the long term aspirations and goals of the society, looking at future scenarios and defining strategic issues and challenges to inform longer-term planning. The programme encountered difficulties in scenario construction in part because of the purely normative nature of the assessment, but also because of rapid technological, political and social change.

  See attached PDF entitled ‘Institutions and structural reform’
From abstract: This chapter analyses the characteristics and functions of institutions that can support the promotion and implementation of structural reform. Beneficial structural reforms may not be adopted because governments are not aware of the policy choices, or lack the capacity to implement them. Alternatively, governments may face resistance from vested
interests. This chapter discusses how a systematic policy review process can help to overcome both these obstacles. It then examines the characteristics and functions of institutions that can effectively undertake policy reviews, not just to identify reform options, but to ‘sell’ them domestically. It gives examples of actual institutions from around the Asia-Pacific region that have these characteristics and perform at least some of these functions.

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**Websites visited**

African Institute for Economic Development and Planning (IDEP), United Nations Economic Commission for Africa (UNECA), Institutions for Pro Poor Growth (IPPG), Center for International and Development Economics Research (CIDER), World Bank, National Bureau of Economic Research, Asia-Pacific Economic Cooperation (APEC), East Asian Bureau of Economic Research (EABER), Massachusetts Institute of Technology (MIT) - Department of Economics; Centre for Economic Policy Research (CEPR), Source OECD, UNESCAP, Google, Google Scholar, Informaworld, Ingentaconnect, Science Direct

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