

## National Planning Commission Arrangements<sup>1</sup>

Based on a review of relevant World Bank materials and outside sources, this note focuses on two questions of critical importance in discussions surrounding the establishment of a planning commission. These are:

- 1) What planning commission arrangements seem to be effective?
- 2) What should the role of a planning commission be in a quasi-federal system?

It should be recognized that a planning commission is only one possible institutional device to deal with coordination issues within and across levels of government. The determination of the most appropriate mechanism for dealing with each type of coordination issue or failure requires careful understanding of the specific driving factors.

### *Question 1: What planning commission arrangements seem to be effective?*

#### *Key points:*

- Planning commissions should focus on the facilitation of planning processes and capacity building, rather than as mechanisms for top-down control or central planning. The key role of line ministries, and capacity building in the sectors, is critical for success – at the line ministry, planning, budgeting, and implementation intersect.
- For efficient planning, it must be linked to the budget and resource allocation process. Planning needs to occur within the sustainable macrofiscal spending envelope.
- Such commissions should support performance frameworks which focus on results based outcomes, linked to existing institutional arrangements for monitoring and evaluation, rather than duplicating such structures.
- Successful commissions seem able to focus on the necessary connections of President/Cabinet and line ministries and Treasury.
- Weak or unsuccessful planning commissions create stand-alone, parallel planning

*GET Briefs intends to capture the knowledge and advice from individual engagements of the World Bank's Global Expert Team on Public Sector Performance (PSP GET). The views expressed in the notes are those of the authors and do not necessarily reflect those of the World Bank. For more information about the PSP GET, contact the GET team leaders Bill Dorotinsky ([wdorotinsky@worldbank.org](mailto:wdorotinsky@worldbank.org)) and Nick Manning ([nmanning@worldbank.org](mailto:nmanning@worldbank.org)) or visit <http://pspget>.*

<sup>1</sup> Prepared by Joanna Watkins, Consultant, Public Sector Performance Global Expert Team, with support from Colum Garrity, Public Sector Specialist, Advisory Services & Knowledge on Public Sector Governance (AskGov), and research from Arsema Tamyale, Consultant, AskGov, The World Bank, May 20, 2009, under guidance from Bill Dorotinsky, Co-Leader, Public Sector Performance GET & Lead Public Sector Specialist (ECA). For additional information contact [wdorotinsky@worldbank.org](mailto:wdorotinsky@worldbank.org) or [jbrumby@worldbank.org](mailto:jbrumby@worldbank.org).

processes, not integrated with policy development, management, or budget processes.

Planning commissions have a long and mixed history. The development field emphasized the importance of national economic and development planning in the 1960's and 70's. These tended more towards central planning bodies, such as Soviet central planning. In these systems, planning was a stand-alone process, parallel to budgeting and administration. Generally, these are viewed as failures, but different regions have followed different paths since then. Today, countries display significant variety in the types of institutional arrangements surrounding such commissions both in terms of where they are located and the extent to which they are integrated into the overall government structure. There is no *one-size-fits-all* type of planning commission. However, broadly speaking, the majority of such arrangements are headed by a Minister or Secretary-General and sit at the center of government. Their explicit purpose is to '*make governments work better*' and their core functions typically include:

1. Supporting the chief executive (President or Prime Minister) – to help define and support achievement of the Government's objectives.
2. Supporting the Cabinet – to support the coherence, quality and implementation of policy across departments.
3. Supporting impact of policy, or addressing systemic barriers to performance. This may include strengthening the Civil Service, to ensure the civil service is organized effectively and has the capability in terms of skills, values and leadership to deliver the Government's objectives.<sup>2</sup> Other systemic issues may be integration of policy with budgets, linking sector plans and national plans, monitoring and evaluation of policies and plans, and monitoring systemic barriers to plan achievement (e.g. procurement, accountability arrangements).

In 2004, the OECD conducted a study on the functions and organization of center of government policy coordination

#### **State Planning Commissions in Central and Eastern Europe, and the Former Soviet Union**

Central planning agencies in Central and Eastern Europe have been abolished, with national economic and development planning functions generally subsumed in ministries of economy (MOE). In many cases, planning at all levels effectively stopped, with no capital planning or multi-year budgeting. Since the late 1990's, efforts have been made to re-establish an integrated planning and budgeting process, with medium-term expenditure frameworks (MTEFs) in budgeting, and MOE taking responsibility for public investment planning systems, supporting or feeding into budgets. Long-term development planning still formally resides with MOEs, but these responsibilities are either not taken seriously, or are focused on producing national long-term vision statements or poverty reduction strategy papers. In Ukraine, policy and investment planning are with the MOE, while budgeting and MTEF are with Finance. In Kazakhstan, planning and policy and budget are with MOE, while budget execution is with Finance.

---

<sup>2</sup><http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/EXTADMINISTRATIVEANDCIVILSERVICEREFORM/0,,contentMDK:20132487~menuPK:1829097~pagePK:210058~piPK:210062~theSitePK:286367~isCURL:Y,00.html>.

arrangements across OECD members, central and eastern European, and the Western Balkans countries.<sup>3</sup> The institutional arrangements varied significantly, but generally the main elements included:

- units to provide policy coordination (often defined along sectoral lines);
- planning units; and,
- units to monitor the implementation of government decisions, among others.<sup>4</sup>

Most commissions perform coordination functions for the ministries and the preparation and approval of the government's strategic priorities and work program, while ensuring the direct connection to the budget. As evidenced below by the Commissions of India, Bangladesh and Turkey all have a hand in strategic planning in the medium and long term and in monitoring against sectoral targets.<sup>5</sup>

Given the strategic role planning commissions serve, it is important to distinguish between planning commissions and other existing central coordinating agencies. In some countries, the Cabinet/President's Office and/or Ministry of Finance/Economy play the roles of a planning commission, in others; they liaise directly with the planning commissions. In the case of the Pakistan, both the Planning Commission and the Ministry of Finance (MoF) are expected to manage the economy in tandem. Clearly articulating the boundary between the functions of these bodies is critical to their success.

An attempt at defining such boundaries confronts two challenges. First, ensuring clarity on which agency prepares the budgets and second, ensuring a distinction between short and longer term issues. In the first case, the key distinction between the Planning Commission and MoF is who prepares the budget. The issues involved in relation to a unified MoF versus a separate MoF, Ministry of Economy and Planning Commission fall along important fault lines. The challenge is to ensure that the MoF has full responsibility for preparation of the current and capital budgets, and for execution. Ultimately, it is through the budget(s) that coordination is enforced. Many former Soviet system countries had separate planning and finance ministries, but over time their planning functions have become subsumed by Ministries of Economy, and where a medium-term expenditure framework is in place, also by the MoF and line ministries.

#### *State Planning Commissions in Latin America*

Central planning was never really discredited, even if it fell into disuse. Brazil maintained its central ministry of planning, management and budget, and a national plan. This is still a parallel process, disconnected from government policy processes, budgeting, and administration. Elsewhere in Latin America, public investment programming has been the emphasis, commonly run out of the office of the president or vice-president. Columbia has maintained a strong ministry-level planning agency, but devoted to investment planning. Again, this parallel process is not well-integrated with budgeting or administration.

---

<sup>3</sup> OECD, SIGMA, *Co-ordination at the Centre of Government: The Functions and Organization of the Government Office*, 2004.

<sup>4</sup> Ibid, 7.

<sup>5</sup> OECD, SIGMA, *Co-ordination at the Centre of Government: The Functions and Organization of the Government Office*, 2004.

The second challenge is between the short and longer term horizons of the Planning Commission and the Cabinet/President's Office. While the Planning Commission might be setting a long term agenda and forcing some coordination through defining social policy outcomes, on a daily basis the Cabinet Office ensures horizontal policy coordination and, critically, that departments are not promising things that can not be delivered because of political or legislative obstacles.<sup>6</sup> In Lithuania, a unit within with the Chancellery handles planning functions, however in order for it to be to fully effective, it will require a mandate to assess and intervene in ministry proposals where necessary.<sup>7</sup>

### ***Examples of Planning Commissions from India, Bangladesh and Turkey***

**1. The Planning Commission of India** has moved away from a highly centralized planning system toward providing long term strategic vision for the country through the establishment of sectoral targets.<sup>8</sup> The Commission plays a facilitating role between the States and Ministries. The primary functions include:

- Assessing the material, human, and capital resources of the country and addressing any needs arising from the assessment;
- Formulating a plan for the most effective utilization of the country's resources;
- Defining the stages in which the Plan should be carried out and resource allocation needs;
- Indicating the factors which are undermining development, and determine the conditions which should be established for the successful execution of the Plan;
- Determining the nature of the machinery necessary for securing the successful implementation of each stage of the Plan;
- Appraising the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and
- Making interim recommendations as appropriate.

**2. The Bangladesh Planning Commission** determines objectives, goals and strategies for medium and short-term plans within a long-term framework. It also formulates policy measures for the achievement of planned goals and targets.<sup>9</sup> Its functions encompass policy, sectoral, program, and project planning, as well as evaluation. More specifically, the Commission is involved in the:

- Formulation of country's medium-term (5 years) macro plan within the framework of long-term (15-20 years) perspective.

---

<sup>6</sup>*Helping Governments Keep Their Promises: Making Ministers and Governments More Reliable Through Improved Policy Management*, 36.

<sup>7</sup> Ibid, 36.

<sup>8</sup> <http://planningcommission.nic.in/>

<sup>9</sup> <http://www.plancomm.gov.bd/about.asp#functions>

- Formulation of the Three Year Rolling Investment Programme consistent with the Five Year Plan.
- Formulation of Poverty Reduction Strategy Paper (PRSP).
- Preparation of Annual Development Programme.
- Appraisal of project proposals for the Executive Committee of National Economic Council and the Minister for Planning.
- Evaluation of Plans and their impact on the economic development.

3. **The State Planning Organization (SPO) of Turkey** is the main policy formulation institution at the national level.<sup>10</sup> The main functions of the SPO include:

- Providing consultancy services for the Government in determining the policies and targets of the country;
- Formulating long-term development strategies and policies and multi-year programs,
- Allocating the public investment appropriations;
- Defining the regional and sectoral development priorities and strategies;
- Monitoring, coordinating and evaluating the implementation of these national policies;
- Harmonizing strategic planning of the public sector; and
- Contributing to the formulation of policies regarding international economic and commercial cooperation initiatives.

***Question 2: What should the role of a planning commission be in a quasi-federal system?***

Key Points:

- General grants administered through the planning commission can help alleviate disparities in human and capital resources at lower levels of government.
- Planning commissions can help to institutionalize linkages between the center and lower levels of government through direct engagement.

Important in federal or quasi-federal countries are the imbalances that exist between lower levels of government as a result of the processes of decentralization. Recognizing these disparities, governments should build in equalization mechanisms that in some cases have been administered and monitored by the relevant planning commissions. Countries have developed grants and equalization systems which take on many forms, but fundamentally strive to distribute resources according to need. Sweden, Iceland, and Norway have all developed equalization systems which provide block and/or special grants. In tandem with the allocation

---

<sup>10</sup> [http://www2.dpt.gov.tr/konj/DPT\\_Tanitim/index.html](http://www2.dpt.gov.tr/konj/DPT_Tanitim/index.html). The official SPO website is: <http://www.plancomm.gov.bd/about.asp#functions>

of these grants, governments may impose minimum performance standards for certain services.<sup>11</sup>

In Sweden, for example, sectoral goals are set by the center as guidelines and then supplemented by specific targets to monitor for results. General grants are given to the municipalities, which then decide on the means by which to achieve the objectives.<sup>12</sup>

In Germany, the Financial Planning Council makes recommendations on coordinating budgets and financial plans of the federal, Lander, and local governments. The council is chaired by the Federal Minister of Finance and comprised of the ministers of finance of the federation and the Lander, as well as the Federal Minister of Economics, and representatives of the municipalities. However, the decisions of this council are not binding.<sup>13</sup>

The establishment of a state planning commission within a decentralized context will directly confront the following two tensions. First, where the central government seeks to encourage autonomy at lower levels of government, it is also responsible for providing overall direction. Second, where the central government should allow for differentiation through flexibility, it must also ensure a minimum degree of uniformity in service provision.<sup>14</sup>

---

<sup>11</sup> OECD, *Managing Across Levels of Government*, 1997, 45. For a complete discussion on the various schemes of different countries please see page 45 of this report.

<sup>12</sup> Ibid, 58.

<sup>13</sup> Ibid, 44.

<sup>14</sup> OECD, *Managing Across Levels of Government*, 1997.

## Relevant Resources

- Australia, *Integrated Management Cycle*, 2005.
- Canada, *Getting Government Right: Improving Results Measurement and Accountability*, 1996.
- Gord Evans, Nick Manning. *Helping Governments Keep Their Promises: Making Ministers and Governments more Reliable Through Improved Policy Management*, 2003.
- OECD, *Modernising Government: Strategies and tools for change. Summary of the Global Forum on Governance, Rio de Janeiro, Brazil*, 2007.
- OECD SIGMA, *Co-Ordination at the Centre of Government: The Functions and Organisation of the Government Office*, 2004.
- United Nations. *Strengthening Government Capacity for Policy Development*, 1995
- World Bank Institute. *Parliamentary Accountability and Good Governance: A Parliamentarian's Handbook*.
- World Bank, *National Visions Matter: Lessons of Success*, April 2005.

## Case Studies:

- Alice Gorlin, *The Power of Soviet Industrial Ministries in the 1980s*, 1985.
- Afghanistan, PFM, Chapter 6, *Making the National Budget the Central Instrument of Policy and Reform*.
- Australia, *Report on Government Services*, 2009.
- Economic Commission for Africa, *Public Sector Management Reforms in Africa: Lessons Learned*, 2003.
- Victoria, Canada. *Productivity Commission Inquiry into National Competition*, 2005
- R. G. Bevan, *The Systems Approach in Government? Two Case Studies of Programme Budgeting*, 1983.
- Tomohito Shinoda, *Japan's Cabinet Secretariat and Its Emergence As Core Executive*, 2005.
- World Bank Institute, *Monitoring and Evaluation for Results: Lessons from Uganda*, 2004.

## Websites:

- Bangladesh Planning Commission: <http://www.plancomm.gov.bd/about.asp#functions>
- India Planning Commission: <http://planningcommission.nic.in/>
- Turkey State Planning Organization: [http://www2.dpt.gov.tr/konj/DPT\\_Tanitim/index.html](http://www2.dpt.gov.tr/konj/DPT_Tanitim/index.html);  
official website: <http://www.plancomm.gov.bd/about.asp#functions>