

Planning Experiences in Nepal: A Review on the Development of Planning Concept

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INTRODUCTION

Many less developed nations after achieving political independence in mid-nineteen forties, endeavoured to raise the standard of living of their people. They had dearth of capital, skilled manpower and the congenial atmosphere for development, but due to their numerous needs they had to set priorities in fulfilling such needs. Most of the new nations intended to utilise their scarce resources, for achieving accelerated rate of economic development. Developing countries that are carrying out economic and social reforms at the present time regard planning as the most efficient method and instrument for securing high rates of economic growth and raising living standards. These days virtually all the less developed countries apply economic development programmes in some form or the other. However, the process of programming of the national economies of the less developed countries (LDC's) during the last four decades, was of a great diversity of attempts by the state, to take the increasing advantage of the opportunities for exerting a planned influence on the course of economic development. On the whole they have regarded planning as the most effective method for speeding up economic development and accomplishing social transformation.

NEED FOR DEVELOPMENT PLANNING IN LDC'S

The need for development planning in the less developed countries can be elucidated, if we try to seek first the meaning of economic development. The connotation of economic development helps us to identify various factors responsible for the emergence of development planning in less developed countries.

Development is very often confused with economic growth as both refer to improvement in a set of condition. Growth refers to change in the economy, with the given institutional and structural framework. This is associated more with the developed economies, than with the less developed economies. Development takes economic progress as its important component. It encompasses more than material and financial side of people's lives. "Development should therefore be perceived as a multi-dimensional process involving the reorganisation and reorientation of entire economic and social systems."¹

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The less developed countries beset with various problems viz., 1) low levels of living, 2) low levels of productivity, 3) high rate of population growth and dependency burden, 4) high level of unemployment and underemployment, 5) larger more of agricultural sector in the group national product, 6) dependence on primary products export, 7) undeveloped or illdeveloped modern sector, 8) predominance of traditional values and institutions, 9) dependence and vulnerability in international relations, 10) illdeveloped market mechanism, 11) illdeveloped innovators and managers. These basic problems act as problems for improving the development process in less developed countries. The development planning is essential in Nepal to overcome the problems caused by above mentioned characteristics.

The low level of development of productive forces in general does not in itself give rise to the need for attaining balanced production development by means of state economic planning, but the efforts of the less developed countries, for attaining better way of life as enjoyed by the people of more developed countries, demanded for a drastic change in the production forces, which has directed them persistingly in searching for most effective economic levers. Consequently, the possibility of planned, balanced development became very attractive for the politicians and policy makers.

The weak and slow growth of modern national private sector, could not meet the aspirations of the people and the policy makers of less developed countries, consequently the state sector had to take initiative in programming economic development, and in controlling various economic activities of the nations. In the developing countries, however, development planning arose not only from the need to speed up the development of backward productive forces, but also from the further intensification of their contradictions with the market economies, the influence of the socialist countries' success in planned, balanced development.²

The less developed countries with an aim to resolve their complex problems, within a short span of time, found the ineffectiveness of the market mechanism in promoting their development. So they need to apply development planning ideas and instruments in resolving such problems.

DEVELOPMENT OF PLANNING CONCEPTS IN NEPAL

After the second world war, the intensification of National liberation movement, in South Asia threatened the hegemony of the autocratic Rana rules. Some of the educated members of Rana family like Vijaya S. Rana, started convincing the conservative rulers, that the improvement in the economic life of the people of Nepal was deemed necessary, in order to face the future economic challenges from the changed context in neighbouring India and in the world.³

The basic concept adopted in that plan was to make the nation more self reliant thereby enhancing more output. The thinkers were much concerned about the coordination in the efforts of development, thereby adopting a well balanced approach in formulating a long term development plan, 15 years having three parts, viz., national, regional and rural

plans. The principal features of the Rana Planning concepts were to design a pragmatic plan based on domestic resources for achieving growth with stability.⁴

However, the basic principles of the Rana plan, remained as principles, without bringing it into implementation. The political instability occurring at the end of 1940's, led the Rana rulers to effort for the sustenance of their power, which distracted their interest from the amelioration of the nation's economy.

With the political change of 1951, the government endeavoured to develop a new set up of administration and other preconditions required for launching the programme of planned economic development in Nepal. The result of such infrastructure could come in mid-1950's, when the first Five Year Plan (1956-1961) was launched. The outlay of the plan was Rs. 33 crores, which was meant to achieve the objectives of increasing output and employment, raising the standard of living of the nation. During the plan period 65 percent of the financial target could be fulfilled, and the plan helped create some infrastructure for future planning.

First plan was guided by the concept of establishing a progressive welfare state, encouraging the participation of the people; by emphasizing the development of some sectors where maximum enthusiasm of the people exist, and thereby diffusing this process to all over the country.⁵ The plan document has clearly stated to adopt Mixed Economic System to transform the structure of Nepalese economy. Furthermore, document depicts that the policy of the government should always be directed to make foreign aid as a complementary to the domestic resources, in Nepal's endeavour to implement development planning.

The analysis of the planning concepts adopted in designing the First Plan of Nepal shows that the planners were more confused and ambitious. On one side, they intended to provide heavy stress on the provision of adequate food, clothing, shelter, medicine and health services, education and entertainment, etc.⁶ on the other, they tried to adopt an unbalanced approach to development, giving more priority to the development of some producing sectors. The plan came in the form of five years programme of the government sector incorporating the then existing programmes of all the government departments. However, "it (the Plan) developed the habit of looking problems from an analytical standpoint and instilled into administrators the need for undertaking development works in a systematic manner. (It helped) ... in making the peoples' plan conscious and in inducing officials to look at the various problems of the country in a comprehensive manner."⁷

After the completion of the First Plan and the beginning of the Second Plan in 1962-63, the fiscal year 1961-62 was declared as interim period, when it was endeavoured to create prerequisites for future planning. The second plan was designed for the period of three years from 1962 to 1965, with an outlay of 60 crores, it aimed to improve land relation and to develop industries. The financial target was almost fulfilled, and during the plan Rs. 59.68 crores were spent.

The second plan was developed as a mini-medium range plan, for building prerequisites in formulating a comprehensive plan of economic development. The plan had adopted the concept of establishing a progressive "welfare state, designed to give expression to economic and social justice."⁸ While explaining the basic approach of social justice, it is said in the Plan that "it is necessary to provide for just distribution of this product among the various contributing classes." The Plan was designed on the background of Panchayat system. The Panchayats were given due place in carrying the activities of the plan. The new experiment in the government under the background of Panchayat system was tried to implement the development plan. "It did little, however, for the administration's ability to implement plan."⁹ Stiller and Yadav have focussed that the Second Plan had adopted the course of more centralised planning, by bringing administrative reform and reconstituting the National Planning Council, by incorporating only the ministries in the council.¹⁰

The Third Plan (1965-1970), with an outlay of Rs. 250 crores, was designed for the period of five years and aimed to raise agricultural output, to improve agricultural institutions, to develop basic infrastructure, to develop industries and to reduce social disparity. The financial target of the plan could be fulfilled. The third plan has also incorporated the Panchayat sector and has paid due attention to the private sector also.

The third plan was formulated as a part of the long term plan for doubling national income within next fifteen years.¹¹ The third plan document reveals, a well designed plan, trying to incorporate various sectors of the economy, with clearly spelled objectives and priorities. The Plan has intended to take balanced approach. However, Stiller and Yadav are unsatisfied with this strategy. "Had the Plan concentrated on transport, communication, and power (all foreign aid financed) and the areas allied to agriculture such as land reform and rural credit, a break-through might have been made."¹² The Third Plan aimed to change the plan formulation and implementation process by incorporating ministries as the line agencies in formulating and implementing sectoral plan. The Plan was formulated more on the sectoral line, with a heavy emphasis on the projects and programmes helping to generate output within a short period of time. Consequently our development efforts were bound to concentrate in the Terai regions and Kathmandu valley. The Third Plan helped to develop concept of developing a comprehensive plan by (a) strengthening administrative; (b) designing a detail strategy; (c) involving ministries in planning process, with the formation of planning cells in each ministry; and (d) integrating plan with annual programme budgeting.

The Fourth Plan (1970-75) aiming to invest Rs. 354 crores during the five years period had the objectives of increasing GDP at the rate of 4 percent, establishing the base for sustaining long term economic growth, expanding and diversifying international trade, maintaining economic stability by controlling price level, and creating conditions conducive to the emergence of a society free from exploitation. The important consideration of the Plan was to adopt the regional plan in

the country. With the adoption of regional plan, the country was divided into four developmental regions and to achieve balanced economic development in all the regions, investment patterns were organized basing on this approach.

The Fourth Plan was prepared with an approach to reduce the gap between plan formulation and plan implementation, which was faced by the earlier plans, while formulating the Plan, Planning forums, and committees of industrialists, businessmen and farmers were set up to analyse various issues in a more macro perspectives, the process of inviting comments from the public on the plan document was initiated. In the plan formulation process it was tried to have greater participation of the people in the Fourth Plan. Furthermore, it was planned to implement the Plan by means of annual budget. The concept on the formulation and implementation of the plan, received due consideration during the Fourth Plan period. Another important concept which was introduced in the planning process was the evaluation system in planning mechanism.

The Fourth Plan aimed at consolidating the continuing projects rather than involving in new projects.¹³ The Plan has further emphasised that the "major efforts during the Plan period will be directed towards furthering the successes of past planning, thereby, providing new impetus to future developmental activities." The objectives of the programmes and projects planned to be carried during the Plan, were made more consistent with sectoral objectives based upon the framework of national goals and policies. A new concept of balanced regional development was introduced in order to uplift the economic status of the people of hilly regions, thereby creating more employment opportunities. "On the basis of this policy, attention will be focussed on a unification of hilly areas and Terai areas by increasing economic relations which would result from the implementation of regional development plans."¹⁴

National Development Council (NDC) was established in 1972, under the chairmanship of His Majesty the King, where representatives from different walk of life are involved. NDC is the highest body in the planning organisation of Nepal, which issues "directives to the National Planning Commission with regard to basic policies and objectives to be adopted for periodic and annual plans, as well as the actual needs and conditions of different parts of the country."¹⁵ In addition, the NDC will also look after the implementation and evaluation of the programmes. By the end of the Fourth Plan, the concept of planning was more streamlined towards building a close link between the central planning agency and the implementing agencies-ministries.

The Fifth Plan (1975-1980) was formulated with minimum and maximum targets, so the financial outlay of the plan also varied. For achieving minimum programmes it was envisaged to spend Rs. 919.7 crores and Rs. 1140.4 crores to fulfill the maximum programmes. The Fifth Plan had the objectives to maximize output consistent with the needs of the people, to utilise labour force optionally and to strike a regional balance in development process. However due to various reasons such as failures of crops, shortage of power, etc. the targets envisaged in the plan could not be fulfilled.

The Plan with an aim to be more realistic tried to adopt maxima and minima approach in allocating funds.¹⁶ This depicts that some macro modelling devices were used in allocating resources in different sectors. The regional development approach initiated during the Fourth Plan period was further developed in this plan. Emphasis was made on the improvement of the life of rural people by adopting Integrated Rural Development programme. In addition the Plan emphasised on the development of labour intensive technology.

In the present decade of 1980's, the planning concepts in Nepal have been directed more towards the amelioration of the status of poor people. The Sixth Plan (1980-1985) document¹⁷ in its 726 page text, has attempted to channelise the approach of development planning to achieve it. The Seventh Plan (1985-90) document has also envisaged to follow the approach of the Sixth Plan, regarding the concepts of planning.

The Sixth Plan with an aim to achieve its three goals: a) increase production at a faster rate, b) increase productive employment opportunities, and c) meeting the minimum basic needs of the people; envisaged to spend Rs. 33.94 billion. The development strategies set in the Sixth Plan were to a) accord priority to agricultural development, b) lay stress on the development of cottage and small scale industries; c) lay stress on export trade and tourism development, d) lay stress on the conservation of natural resources and wealth and development of water resources, e) emphasize full utilisation of infrastructure already created, f) increase the absorptive capacity of the economy, g) control population growth.

The Sixth Plan has added a new element to the planning concept, by adopting the Basic Needs Approach (BNA) as one of the goals of development planning in Nepal. BNA sounded palatable both to the decision makers and the common people. However it has not taken into consideration its various tenets. The over emphasis on the faster rate of growth in the output on the one hand the BNA on the other, led to deviation from the regional development concept as developed from the Fourth Plan period onward. The advocates of the regional development approach still hold the view that it is further needed in Nepal "with the deterioration of the hill economy and increasing pressure on the resources of the Terai, there is even greater need for a regional strategy for integrating the two economies."¹⁸

The designers of the Seventh Plan (1985-90) have come with a feeling in mind that at present Nepalese economy is facing with the challenges¹⁹ of a) gap between planning and implementation; b) raising output and employment there by meeting the basic needs of the common people, c) of enhancing the productive capacity of the economy, there by orienting it to the natural resources of the country; d) of providing due attention for the conservation and expansion of natural resources, and e) of taking appropriate steps to tackle the population problem.

The concept of planning, it seems, has not derailed from that of the Sixth Plan. However the present planners have tried to hit the current problems with a more pragmatic approach. The Basic Principles

has emphasised "that mere mouthing of catchy slogans or coining of clap-trap phrases cannot be relied upon to overcome the problems the nation is facing today as well as those which it will be saddled with tomorrow. The problems are there, standing out bright and clear; so are the means of getting to grips, with them, principal challenge of today is to resolutely put into effect those known means."²⁰

The seventh plan designers have aimed at adopting the following concepts in the forthcoming plan:

- a. More efforts will be carried on to consolidate the approaches taken so far;
- b. Efforts will be made to concentrate the utilisation of scarce resources in the priority areas;
- c. Close scrutiny of the projects and programmes will be made;
- d. Building up an atmosphere which will allow an efficient harnessing of internal resources;
- e. Adding strength and competence to development administration;
- f. Emphasizing on tapping local organisational set up, local leadership and local resources to meet the minimum basic needs of the local people; and
- g. Responding to the demand for local development in line with the better and spirit of the principles of decentralization.

The seventh Plan Document²¹ has tried to follow the same objectives as was adopted in the Sixth Plan with a plea that the broad objectives, the nation has aimed to achieve cannot be achieved within a short span of time, so the objectives of this Plan are (a) to increase production at a faster rate, (b) to increase productive employment opportunities, (c) meeting the basic needs of the people. In order to fulfill these objectives, the developmental Strategies have been formulated to: (1) accord highest priority to the development of agriculture, (2) emphasize on the conservation of forest resources, (3) emphasize on the development of water resources, (4) develop industries, (5) promote export trade, (6) develop tourism, (7) control the rate of growth of population, (8) strengthen the economic base of nation, (9) activate, local panchayats, governmental corporations and private sector, there by decentralising the management of economic activities, and (10) strengthen development administration.

In order to achieve the objectives, the Plan has aimed to enhance the Gross Domestic Product at the rate of 4.5 percent per annum. In order to achieve it, it has been planned to raise the agricultural output by 3.5 percent per annum and the industrial output by 5.7 percent per annum.

In order to achieve the proposed growth rate in national output, it has been aimed to spend Rs. 50 million 410 million as development expenditure during the Plan period.

Table 1: ALLOCATION OF THE TOTAL DEVELOPMENT EXPENDITURE
(at constant price of 1984/85) (1985-1990)

	(Rs. in billion)				
	Public Sector	Panchayat Sector	Private Sector	Total	Percentage
1. Agriculture, Irrigation and Forest	8.38	0.55	8.35	17.28	34.3
2. Industry, Mining and Power	7.04	0.03	3.77	10.84	21.5
3. Transport and Communication	5.13	0.60	1.53	7.26	14.4
4. Social Services	6.45	0.82	7.76	15.03	29.8
TOTAL	27.00	2.00*	21.41[@]	50.41	100.0

*Government Grant of Rs. 1.0 billion to Panchayat Sector is included.

@Governmental Assistance of Rs. 1.0 billion to commercial banks and Agricultural Development Bank is also included.

GENERAL REVIEW

The overall analysis of the development of planning concepts in Nepal depicts that Nepal tried to adopt various approaches in development planning, which led to the development of concepts based on the empirical situation of Nepal. In addition the approaches developed in the theory of development economics and planning also influenced the Nepali planners in testing such concepts. In the fifties when the development economics put a heavy stress on capital as a sufficient condition for bringing economic development in less developed countries, Nepali planners had a feeling that mere mobilisation of capital would help to create the inertia of economic development. However in the sixties, when the "Big Push Concept (BP) which arose out of the MIT theory of "technological dualism", in the mid 1950's and became the dominant paradigm of the 1960's.²² Nepal also endeavoured in the beginning to stress more on the development of industries in the government sector and improvement in the land relations, as the lead sectors acting to bring structural changes in Nepal's economy. But this concept was also found insufficient condition for development in Nepal as evidenced in other less developed countries.

The growing importance of the role of skilled manpower as the important agent for development, given in the literature of development economics in mid-1960's did also enrouté the interest of Nepalese planners to stress on this factor. The Unified Approach (UA) was developed as "the product of an United Nations Expert Group meeting in Stockholm in October 1969. It received prompt and enthusiastic endorsement by the Economic and Social Council and then by the General Assembly. From 1970 to 1976 it was the Unified Approach that was the 'fad' in international development circles.²³ In Nepal too we found that the sectoral approach to development did not achieve the overall growth targets, but the levels of living of the masses of people remained for the most part unchanged. So we endeavoured to adopt regional development and integrated regional approaches in our concept of development planning.

The ILO World Employment Conference of 1976, developed the bible of Basic Needs Approach (BNA) in solving the problems of less developed economies. The Report of the Director-General of ILO explains, that the "Basic needs, as understood in this report, includes two elements. First, they include certain minimum requirements of the family for private consumption: adequate food, shelter and clothing are obviously included, as would be certain household equipment and furniture. Second, they include essential services provided by and for the community at large, such as safe drinking water, sanitation, public transport, and health and educational facilities.²⁴ Economists like Mahbub Ul Haq, Paul Streeten, Shahid Javed Burki and others have also written extensively in this approach. This approach has become the 'fad' in the modern development economies. Nepal, in her endeavour to provide minimum basic needs to the people has also introduced this approach in her development plan of 1980's.

All these facts give us sufficient evidence that the nature of the problem of development in most of the countries of the less developed world is more or less the same, and generally the concepts are being formulated on the basis of the inferences drawn from the common issues. However, the concepts are not adopted identically in all the countries of the less developed world, individual nation, basing on the needs of its society do mould it to achieve the development, which is "conceived of as a multi-dimensional process involving changes in structures, attitudes and institutions as well as the acceleration of economic growth, the reduction of inequality and eradication of absolute poverty."²⁵ Therefore in Nepal too we need to redefine our development goal by attacking selectively on the worst form of poverty.

FOOTNOTES

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13. National Planning Commission, The Fourth Plan (1970-1975), (Kathmandu: NPC, 1970), p. 1.
14. Ibid., p. 5.
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20. Ibid., p. 10.
21. National Planning Commission, The Seventh Plan (1985-1990), Vol. 1, Summary in Nepali (Kathmandu: NPC, 1985), p. 33.
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