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ORGANIZATION FOR ECONOMIC PLANNING IN PAKISTAN

By

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A Thesis

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## PREFACE

This is a thesis in partial fulfilment of the requirements for the M.A. degree in Public Administration. It studies the role of the Government in the economic development of Pakistan and the machinery developed for planning. The focus of attention is on the central organization for planning.

Although the writer has tried not to fill the thesis with figures and statistics, yet reference to some of them has become imperative due to the nature of the subject. An attempt has been made to combine historical development with an analytical and critical approach as far as feasible.

In a way, the origin of the present study dates back to 1965 when this writer presented a term paper on Planning Organization in Pakistan for a graduate course conducted by Professor Adnan Iskandar. My interest in the subject was further aroused by my participation in a course on 'Economic Planning and Public Administration' held in summer of 1965 at the Oslo University, Norway.

However, the present study has only been possible due to the help and guidance which Professor Elie Salem rendered. His critical appreciation has contributed much to improve the standard of this work.

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## INTRODUCTION

### Statement of the Problem

In a developing country like Pakistan, the Government and the bureaucracy have assumed the major role for bringing about social change and development. The state has stepped into the sphere of economic activities of the society. Since Independence Pakistan has executed two five year development plans. Recently, the third plan has also been launched. It is to be studied as to what extent the Government has been intervening and participating in the economic life of Pakistan; does this role played by the Government result from an ideological predilection or is <sup>it</sup> the product of the objective situation?

Assumption of economic activities by the state is of recent origin in the developing countries. So they are now faced with the problem of creating a new machinery for planning in the administrative set-up. Creation of planning machinery involves various issues like where should it be located in the governmental structure in order to function with maximum effectiveness? How should it be staffed and organized in order to facilitate the formulation of a coherent development plan? Should it be a staff agency or line agency or both? What should be the relationship between the planning agency and operating ministries or departments like Ministry of

Finance. It is the intention of this writer to explore how Government of Pakistan has coped with these basic issues while attempting to build up an effective planning machinery for the country.

### Importance of the Study

There is no short cut to development and no development does come automatically. It is a matter of continuous effort, study, and experiment, acquisition of skills, intelligent use of men, materials and resources. In newly independent countries of Asia and Africa, planning is regarded as one of the sure means to achieve development at a faster rate. Long ago Pakistan began to plan its economy. The government has played a prominent role in Pakistan's development efforts. The importance of the study of planning experience of Pakistan and the part played in it by the central planning agency cannot be over emphasised. Such a study would be of great help in understanding the problems and issues faced by Pakistan in its efforts to plan the economy and to organize an effective machinery of planning.

### Scope of the Study

A number of books and articles have been published on planning in Pakistan. But most of these writings have come from economists. Hence they largely reflect economic



aspects of the problem. There are a few publications which deal with Pakistan's planning from public administration view point with which the present writer is primarily concerned. In this study, an attempt has been made to study the role of the Government in the promotion of development in Pakistan and the machinery created by the government to plan the development of the economy.

The first chapter discusses Pakistan's historical, economic and political background which have a bearing on planning.

The second chapter deals with the administrative defects and problems obstructing development of the country.

In the third chapter an attempt has been made to explore and analyse the extent of government's participation and intervention in the economy.

The fourth chapter narrates Pakistan's early planning efforts and their shortcomings.

In the fifth and sixth chapters an attempt has been made to provide a critical appraisal of Pakistan's First and Second Plan - their targets and achievements and to analyse critically the evolution of the existing central machinery of planning - its structure, composition and relationship to other government and administrative organizations.

The final chapter attempts to evaluate and assess Pakistan's planning efforts and to identify its salient features.

### Method of Study

The study is based on library research. However, I have tried to maintain a pragmatic approach all through. For the historical side of the thesis-content I relied mostly on Planning in Pakistan by Albert Waterston, the First and Second Plan and on Fundamentals of Planning in India by Krishnamachari and also on the works of some English and American authors whose names appear in the bibliography. My views wherever expressed have been based on historical evidence, available documents and Government policies, facts and circumstances as they are.

### Definition of Planning

The Government pursues many national goals of which a maximum rate of economic growth is one. Other national goals are reducing inequality of income distribution and achieving higher standard of living and full employment. So it is very essential for the Government to work carefully so that multiple national goals are realized without any adverse effect on one another. The purpose of planning is to help the national leaders in framing and executing a programme which will balance

all national goals against each other and bring the greatest satisfaction to the people of the country. Thus in this study the term planning has been used to refer to "deliberate, rational, continuous efforts by Government to accelerate the process of development and to channel it into desired directions by means of the comprehensive and detailed choice of objectives and the determination and allocation of the resources necessary for their achievement".<sup>1</sup>

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<sup>1</sup>Gerhard Colm and Theodore Geiger, "Country Programming as a Guide to Development", Development of the Emerging Countries, R.E. Asher ed. (Washington D.C.: The Brookings Institution, 1962), p.46.

## CHAPTER I

### PAKISTAN : SETTING FOR PLANNING AND DEVELOPMENT

#### Land, People and Resources

Pakistan consists of two regions - East Pakistan and West Pakistan - separated by about 1000 miles of Indian territory. By sea it takes about a week to reach from one region to the other. Although air travel between the two is highly subsidized, it is still too expensive for most Pakistanis.

Pakistan covers a total area of 364,737 square miles (West Pakistan 310,236 square miles; East Pakistan 54,501 square miles). West Pakistan, as big as Italy and Spain combined, has a population of 42,978,261.<sup>1</sup> East Pakistan which is equal in size to Greece has a population of 50,853,721. Thus East Pakistan with only 15 percent of the area has 54 percent of the population while West Pakistan, with 85 percent of the area has 46 percent of the population.

Compared with 1951, the population of Pakistan registered an increase of 23.8 percent in 1961, which shows that the population in this country is increasing at a very high rate. Un-official data indicate that in

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<sup>1</sup>Figures taken from the census of 1961, published by Population Census Commission, Ministry of Home Affairs, Government of Pakistan, Karachi, February, 1961.

East Pakistan population is now growing at a rate of not less than 2.6 percent and in West Pakistan at not less than 2.5 percent.<sup>2</sup>

The density of population is 922 per square mile for East Pakistan and 138 per square mile for West Pakistan, giving an average of 256 per square mile for Pakistan as a whole. "West Pakistan is dusty brown-and-grey land of desert and mountains, mud villages, camel caravans, turbans and beards. The flat alluvial plain of humid East Bengal [now East Pakistan] teems with lush sub-tropical jungles, wide muddy rivers, green jute, fields of paddy, bamboo villages, and small dark men in skirts shading themselves with palm leaves or black umbrellas from sporadic torrential downpours".<sup>3</sup>

Although urbanization has been increasing steadily for a long time, the country remains predominantly rural. Eighty-seven percent of the population still lives in rural areas. About 88 percent of the total population is Muslim. The schedule caste and caste Hindus comprise about 10.7 percent of the total population. 1.2 percent

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<sup>2</sup>J. Karol Krotki, "Population Growth, size and Age Distribution - Fourth release from the 1961 Census of Pakistan", The Pakistan Development Review, III, No. 1 (Spring, 1963).

<sup>3</sup>Jack D. Mezirow, Dynamics of Community Development (New York: The Scarecrow Press, Inc., 1963), p. 37.

are Buddhists and Christians. According to the 1961 census about 15.3 percent of the total population is literate. Bengali is the language of East Pakistan and Urdu is most common in the West. There has been some tension and animosity between the two regions over the question of economic disparity.<sup>4</sup> East Pakistanis complain of discrepancy in the allocation of national resources and foreign exchange by the central government.

Pakistan is one of the poorest countries in the world with a per capita income of about \$67. The economic factor common to both regions of Pakistan in 1947 was that they represented the outlying and least developed areas of the underdeveloped subcontinent of India. Majority of Pakistanis in the villages live at subsistence level. The situation is further aggravated by high percentage of economically inactive or dependent persons. Only 33.5 percent of the total population is economically active; 55.7 percent of the total male population and 8.8 percent of the female population is represented in the labour force.<sup>5</sup>

As elsewhere in Asia, agriculture is the basis of livelihood in Pakistan and it dominates its economy.

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<sup>4</sup>In East Pakistan per capita growth has been no more than 0.5 percent per annum over the last ten years while West Pakistan has experienced a per capita growth rate of about 1.0 percent per annum over the same period.

<sup>5</sup>Pakistan-1962-63 (Pakistan Publications, Karachi, 1963), p.22.

More than 74 percent of the country's population are directly engaged in agricultural work. 71 percent of Pakistan's total foreign exchange is earned through the sale of agricultural commodities abroad. Furthermore, agriculture contributes about 60 percent of the total national income. "Agriculture is the main source of employment, income and raw materials for domestic use and export".<sup>6</sup> in Pakistan.

In Pakistan out of 234 million acres of land only 52 million acres are under crops cultivation, the remaining area is either uncultivated, under forest, unreported or unclassified or fallow. It is estimated that about 24 million acres can be brought under cultivation, if irrigation drainage reclamation facilities can be made available.<sup>7</sup> Some of the major crops produced by West Pakistan are wheat, cotton and sugarcane. Agriculture in West Pakistan is faced with the problem of waterlogging, salinity and in some areas erosion. In East Pakistan, the major crops are rice, jute, tea and sugarcane. Pakistan is the largest jute producing country in the world. Jute is mostly produced in East Pakistan. Besides jute and cotton Pakistan also exports wool, skin and tea. Flood poses a great problem to agriculture in East Pakistan.

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<sup>6</sup>Albert Waterston, Planning in Pakistan ( Baltimore: The John Hopkins Press, 1963), p.6.

<sup>7</sup>Pakistan-1962-63. op.cit.. p.31.

The prosperity of most area of Pakistan depends on the success or failure of the monsoon rain. Average rainfall in East Pakistan is 88 inches a year. Vera Anstey observed that "a deficiency in the expected rainfall causes famine, too much may rot the crops, whilst the unduly early or late arrival of the monsoon may entirely spoil the harvest."<sup>8</sup>

The methods of cultivation in Pakistan is primitive and mostly conventional. The man behind the plough is illeterate, superstitious and tradition bound. Farmers produce food crops just enough for their subsistence. Only about 20 or 25 percent of the food crops are sold for money. Declining fertility of the soil coupled with primitive agricultural methods and tools tend to produce yields which average among the lowest in the world.

Mineral resources are vital to economic development. Except for natural gas both in East and West Pakistan, the country lacks important mineral resources. The amount of coal and oil produced in West Pakistan cannot meet the need of the country. Consequently, the Government spends yearly huge sums of foreign exchange in importing fuel. Available iron ore deposits are not of good quality. However, limestone and gypsum necessary for cement pro-

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<sup>8</sup>Vera Anstey, The Economic Development of India ( London: Longmans, Green and Co. Ltd.,1952), p.16.



duction are in adequate supply.

Trade and Commerce suffers due to inadequate transport and communication facilities. The communication problem is more acute in East than in West Pakistan where the road system is good especially in the north and north-west. East Pakistan is riverin area. It relies, therefore, in its inland transport on its extensive river system. Difficulties of long distance transport (East and West) results in marked price variation in various parts of the country.

Recurrent epidemics especially in East Pakistan have been causing serious harm to the prosperity of the people. Endemic diseases like hookworm, malaria have hindered the vitality and efficiency of the people.

### Ideological Background

Pakistan became an independent state on the 14th of August, 1947, as a result of dividing British India into two sovereign states - India and Pakistan. "It is a common fallacy to believe that the concept of Pakistan was formed in a poet's dream. The poet Dr. Mohammed Iqbal, was no idle dreamer. Nor can countries like Pakistan spring from the nebulous realm of poetry alone."<sup>9</sup> Pakistan is the culmination of the ceaseless efforts and sacrifices

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<sup>9</sup>Field Marshall Mohammed Ayub Khan, "Pakistan Perspective", Pakistan Anthology (Karachi: Pakistan Publications, June, 1961), p.1.

of the muslims of the subcontinent who feared that their social, political and cultural life "might become submerged in a purely unitary India with a huge Hindu population."<sup>10</sup>

Iqbal's vision of an Islamic state added momentum to the movement of a separate homeland for the muslims. According to Iqbal, "the sense of Tauhid (unity of God) as a working idea is equality, solidarity and freedom.... The state from the Islamic standpoint is an endeavour to transform these ideals into space time process, an aspiration to realize them in a definite human organization."<sup>11</sup>

The preamble to the constitution of Pakistan declares the main objectives of the new nation:

The principle of democracy, freedom, equality, tolerance and social justice as enunciated by Islam should be fully observed;

The muslims of Pakistan should be enabled, individually and collectively, to order their lives in accordance with the teachings and requirements of Islam.<sup>12</sup>

Part II of the constitution narrates elaborately the principles of law making and of policy of Pakistan. Part II and the preamble to the constitution provide the basic guidance for Pakistan's social and economic planning for development.

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<sup>10</sup>V.T. Krishnamachari, Fundamentals of Planning in India (New York : Frederick A. Praeger, Inc., 1962), p.4.

<sup>11</sup>Ayub Khan, op.cit., p.2.

<sup>12</sup>The Constitution of the Republic of Pakistan (Karachi: Govt. of Pakistan Press, 1962), p.1.

The constitution does represent and symbolize the aspirations and wishes of the people.

### The Public Service

In the developing countries three groups - the civil bureaucracy, the military and the members of the middle class appear to have a will and a capacity to plan for the future. Only these three groups possess all the managerial, entrepreneurial, analytical and planning skills that are necessary to organize and administer a programme for national development.<sup>13</sup> Relative dominance and significance of the each group within a given society is determined by its historical, social and cultural factors. With all the differences prevailing among the newly independent countries of Asia and Africa, there is one element common to all of them. In all of them major developmental projects are managed by the state officials - military or civil.

Unlike Egypt, Iraq and Syria where the military has gained power and is in the forefront of national development, it is the civil bureaucracy in Pakistan which is dominant in initiating and supervising developmental projects. Although there was a military rising

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<sup>13</sup>Joseph J. Spengler, "Bureaucracy and Economic Development", Bureaucracy and Political Development, ed. J. LaPalombara (Princeton: Princeton University Press, 1963), p.223.

in 1958 it soon gave way to constitutional government.

Pakistan resembles an administrative state governed by Public officials. The tradition of the past colonial administration and the failure to develop a strong, efficient and viable political machinery are largely responsible for the preeminence of the civil bureaucracy in Pakistan.<sup>14</sup> Lack of private initiative and entrepreneurs forced the government to undertake commercial and industrial activities which further contributed to the dominance of the civil bureaucracy in recent years.

In Pakistan the civil servants form one of the most advanced groups in the society. Long before 1947 the public services have been well organized in the Indo-Pak subcontinent.

The civil service of Pakistan is the successor to the distinguished Indian Civil Service. Braibanti considers the civil service of Pakistan as "one of the greatest institutions of government leadership in the world."<sup>15</sup> Rowland Eggar praised the intellectual ability of the higher civil servants of Pakistan. He observed in his report that "the deficiencies in the public administration of Pakistan are not deficiencies of intelli-

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<sup>14</sup> Faqir Mohammed Chaudhuri, "Public Administration in Pakistan", Public Administration in South and Southeast Asia, ed. Hsueh (Brussels: International Institute of Administrative Sciences, 1962), p.128.

<sup>15</sup> R. Braibanti, Working Paper on Course of Study, Civil Service Academy of Pakistan, Tentative Draft, (March, 1964, NIPA Reprint No. 17, August, 1964), p.7

gence or understanding, but are deficiencies inherent in an administrative system designed for a day that has gone by."<sup>16</sup>

The higher civil servants of Pakistan are dedicated to the service and welfare of the state. They take a positive, educative role in the society. Their professional value consists of "classical gradualism or guardianship similar conceptually to Confucian and Platonic canons."<sup>17</sup> The civil servants are generalist executives who have a broad education in literature and the humanities. The members of the CSP (Civil Service of Pakistan) form an elite group enjoying the highest honour and prestige in the society and exercising many of the most important policy making functions of government at the central, provincial and local levels. As M.A. Choudhury observes "the civil service of Pakistan is the pivotal service around which the entire administrative edifice, central and provincial, is organized."<sup>18</sup>

The higher civil services namely, civil service, foreign service, police service, Audit and Accounts service, Railway Accounts service, Military Accounts service, custom service, Post and Telegraph service, Income Tax

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<sup>16</sup>Rowland Egger, The Improvement of Public Administration in Pakistan (Karachi: 1953), p.x.

<sup>17</sup>R. Braibanti, The Civil Service of Pakistan, A Theoretical Analysis (Dacca: NIPA, Reprint No. 84, Sept. 1963), p.6.

<sup>18</sup>M.A. Choudhury, The Organization and Composition of the Central Civil Services in Pakistan (Dacca: NIPA, 1963), p.9.

service, central excise service, etc. are all career services and are known by one common name - The Central Superior Services. Recruitment to these services are made through a common competitive examination. Persons having a bachelor degree and whose age is between 21-24 are eligible to take the examination.

Besides the central superior services, there are a multitude of technical and specialist cadres both in the central and provincial governments. "With few exceptions, the officers of these services are not eligible for appointment to positions in the secretariat and in some cases, even to higher jobs within their own department."<sup>19</sup> The gross inequality and discrimination between the generalist and specialist have caused some antagonism and rivalry in them which are likely to hamper government's development activities.

The all Pakistan services tend to act as a unifying force in a country like Pakistan with diverse cultures. Pakistan faces the problem of provincialism and parochialism which are causing harm to national unity and national integration. "The members of the all Pakistan services recruited from all over the country are expected to act as a bulwark against centrifugal forces. They are likely to bring to bear an all-Pakistan outlook on their work."<sup>20</sup>

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<sup>19</sup> Faqir Mohammed Choudhuri, op.cit., p.130.

<sup>20</sup> M.A. Choudhury, op. cit., p.13.

Sir G. Burgess, director of the Civil Service Academy at Lahore, said:

I often wonder which was more true: that the idea of an all-Pakistan service as the CSP helps to unite Pakistan, or that the idea of Pakistan helps to unite the service. On the whole, I think the people who leave the Academy are better Pakistanis than those who join, without at the same time losing their character as Punjabis or Bengalis or whatever it is."<sup>21</sup>

The civil service of Pakistan is competent for general administration. There is, however, a mounting criticism on the ground that it is a too much an elite, with far too small an annual intake. It is further criticized on the ground that the training of the service is oriented more to the needs of the colonial period than to those of an independent state. Doubts have been expressed about the competence of the service to discharge technical or otherwise specialized duties called for by development administration. Political leaders and higher civil servants are fully aware of these defects and both are eager to improve the situation. During the first twelve years of Pakistan's existence five major surveys of the administrative problems of the central government were made. The first major study was made by Prof. Rowland Egger in 1953. Another report was prepared by Bernard Gladieux. The central government itself sponsored several surveys of the administrative system such as Pakistan Pay Commission Report,

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<sup>21</sup>Sir G. Burgess, "The Civil Service in Pakistan", The Listener, LVIII, No. 1486, (Sept., 1957), p. 420 quoted by M.A. Choudhury, ibid. pp. 13-14.

Report of the Economy Committee, and Administrative Inquiry Committee. Pakistan is in transition. On the one hand, Pakistan's commitment to the idea of welfare state is leading its government towards greater participation in social and economic affairs. On the other hand, Pakistan's colonial administrative and political heritage, in some respect, seem to be obstructing quick realization of welfare and development goals of the new state. It is too early to pass any judgement as to the effectiveness of the civil bureaucracy in bringing desired change and development in the society. The next few decades will show how effective a public bureaucracy can be as an instrument of change in a developing country like Pakistan.



## CHAPTER II

### ADMINISTRATIVE OBSTACLES TO PLANNING

The lack of adequate resources for development, of foreign exchange, technicians and trained administrators tend to limit the rate of economic development in Pakistan. The problem of the shortages of natural resources has been dealt with in the previous pages. The present discussion deals with the problem of the lack of technical personnel and the inadequacy of public administration for development.

#### Shortage of Technical Personnel

The shortage of technical and managerial personnel poses a basic obstacle to development. At the time of Independence "Pakistan inherited only one Muslim officer of the rank of a secretary to the central government and [Pakistan] had not even half a dozen officers of the seniority and experience of joint secretaries to the central government."<sup>1</sup>

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<sup>1</sup>Mr. Gurmani's speech in the Constituent Assembly, Debates, 1953, vol. II, p.773, Oct. 1, 1953, quoted in Keith Callard's Pakistan: A Political Study (London: George Allen and Unwin Ltd., 1957), p. 289.

Development work suffers due to the shortage of competent managerial and technical people. In many areas this rather than shortage of capital resources or foreign exchange tend to limit the rate of development in Pakistan.<sup>2</sup> This problem has some bearing on the educational system of the country. The educational system prevailing in Pakistan is tradition-bound and it is oriented more to the perpetuation of values rather than preparing for changes which development and progress require. It teaches unquestioning obedience to authority. It produces literati who look to the past for guidance and inspiration and only accept, appreciate and memorize the traditions but never approach them for revision, critical analysis or inquiry.<sup>3</sup>

This dependence on tradition, custom, and a

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<sup>2</sup>Government of Pakistan, National Planning Board, The First Five Year Plan 1955-60 (Karachi: Government of Pakistan Press, 1956), p.66.

<sup>3</sup>F.W. Riggs, Administration in Developing Countries (Boston: Houghton Mifflin Co., 1964), p.149.

hierarchy of authority are not conducive to creativity. Creativity involves, in addition to intelligence and energy, such characteristics as pleasure in facing and attacking new problems, absence of any sense that one must seek someone else's judgement before judging what will work, and a knack of seeing that familiar elements mean new things, lead to new conclusions. But the conditions of life and the childhood environment existing in a traditional society like Pakistan tend to foster uncreative personality in its members. This is certainly an important hindrance to economic growth and development; for development requires a high degree of creativity. Analysis of data of the recruitment examination for appointment in the central superior services for the year 1950 to 1955, reveals that candidates educational orientation were overwhelmingly literary and humanistic.<sup>4</sup> Max Weber's characterization of the Chinese mandarin as literati is certainly pertinent in modern Pakistan.

The modern society requires individuals with imagination, initiative, reasoning, who also possess certain skills and knowledge to participate in the productive operations of the society. Pakistan needs engi-

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<sup>4</sup>Pakistan Public Service Commission, Pamphlet of the Central Superior Services Examination, 1950, Jan-Feb. 1951, Jan-Feb. 1952 and Report of the Central Superior Services Examinations, Jan-Feb. 1953, Jan. 1954 and Nov. 1955.

neers, doctors, social scientists, economists, technicians, managers, etc. to move the country towards development and progress. Therefore, it is necessary for Pakistan to recast and reorient its whole educational philosophy and educational system, keeping in view the changing circumstances of human life and society. Above all an analytical and problem-solving approach to learning must replace the habits of memorization and rote learning.<sup>5</sup> Members of Pakistan's Education Commission observed in their report: "we shall continue to fall short of our development goals until full provisions has been made for the training and education of skilled personnel at all levels."<sup>6</sup>

#### Inadequacy of Public Administration

Public administration is the instrument through which a government fulfils the wishes and needs of the people. Therefore, an efficient administrative machinery is of paramount importance for carrying out development activities successfully. John K. Galbraith considered a

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<sup>5</sup>The need for reforming the educational system has been stressed in various reports; for example, Report of the Punjab University Enquiry Commission, 1951-52 (Lahore: Punjab Govt. Printing Office, 1955); Report of the Educational Reforms Commission, 1957 (Dacca: East Pakistan Govt. Press, 1957); Report of the Commission on National Education (Karachi: 1960).

<sup>6</sup>Govt. of Pakistan, Report of the Commission on National Education (Karachi: 1960), p.11.

reliable apparatus of government and public administration so essential to development that he would deny the possibility of economic growth without it.<sup>7</sup> But unfortunately the developing countries do not possess an efficient and well developed administrative system suited to cope with problems of development planning. The inadequacies of public administration in Pakistan became apparent when the country launched its First Five Year Plan.

The administrative system in almost all developing countries are anachronistic. Established long ago to meet conditions which differ greatly from those prevailing today, they have not been adapted sufficiently to greatly changed situations. Pakistan provides a good example of this situation. Before 1947 the Indo-Pak subcontinent was a colony governed by the British. It was primarily a law-and-order government. Under the stress of social and economic necessity the colonial authority did some welfare services. But fundamentally the methods and orientation of public services remained unchanged. So when Pakistan became independent it inherited a government administration primarily oriented to administer justice, collect revenues, and render basic government services. The administrative system performed these functions with reasonable efficiency. But soon it proved to be deficient and ineffective in

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<sup>7</sup>J.K. Galbraith, "A Positive Approach to Economic Aid", Foreign Affairs, XXXIV, (No. 3 (April, 1961),

meeting the needs of a free welfare society committed to rapid development.

While the government policies have a clear and definite bias in favor of development, the administrative system, wedded as it is to the status quo in its approach as well as in its organization and procedure, tends to pull in a different direction.<sup>8</sup>

Thus Pakistan's colonial administrative heritage was the most serious single impediment to the maximum economic use of the country's financial and material resources. The various central and provincial agencies responsible for development experienced difficulty in utilizing fully the budget allotments sanctioned for their programmes. Actual expenditures often fell short of the allocated grants.<sup>9</sup> This phenomenon can be explained in terms of a variety of administrative and technical shortcomings. Defective tax systems and tax collection reduce the amount of funds available for development, outmoded budgetary procedures and archaic and time wasting administrative practices slow down the disbursement of available funds for development projects and programmes. Although administrative procedures followed in Pakistan are a legacy of the past which have been outmoded by changed circumstances, still they continued to be used because of adherence to precedent. The increasing size and scope of administrative structures have led to the

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<sup>8</sup>The First Five Year Plan. op. cit., p.99.

<sup>9</sup>Ibid., p.92.

growth of new procedural practices. But many of these also seem to be inappropriate for development purposes because, as Sir Oliver Franks has pointed out:

Large-scale organization compels men to take many decisions at a point remote from the places where their decisions will take effect. They work on paper. The in-tray and out-tray symbolize the situation. It is easy not to see beyond the paper and hard to preserve a lively awareness of the real issues, human and material, on which the decisions are made.<sup>10</sup>

A system of rigid hierarchical routing of correspondence and other communications tend to delay decision-making. In Pakistan, documents and files must follow a prescribed series of steps through administrative layers. Papers received in a government office are first routed to subordinate clerical personnel for recording and checking against proceeding action. Then they are routed to all interested officials, sometimes on the same level, sometimes upward through multiple layers in the administrative hierarchy. Each officer adds his comments often in considerable detail in this "noting process". Paul Appleby saw a flow chart of the procedure in the Indian State of West Bengal which "showed from 30 to 42 different handlings of a letter when the letter was given consideration only within a single department of a ministry; six

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<sup>10</sup>Sir Oliver Franks, Central Planning and Control in War and Peace (London: London School of Economics, 1947), p. 28.

of these handlings are required in a single office at six different points in the process . . . and from 12 to 18 different offices were involved in the whole process."<sup>11</sup> A flow process chart in Pakistan would reveal similar story. Much of the time of high officials in Pakistan is taken merely with the review of papers and files received from subordinates and in passing them on to still higher officers. To quote Egger:

The public administration of Pakistan is under propelled, and its forward thrust is rather completely contained, mainly because the doers in the administrative structure are under so many layers of thinkers, planners, coordinators and plain do-notters, all busily occupied in noting on files, that the doers are rarely able to secure a green light on an action programme, an appropriation and expenditure sanction in the same fiscal period.<sup>12</sup>

Although Egger's observation may be little exaggerated but it contains considerable truth. Experienced senior officers have estimated that at least half of the present inter-departmental references are unnecessary and with entire safety 60 to 80 percent of all receipts could be disposed of without one line of noting.<sup>13</sup> Besides writing notes often there seems to be a tendency to shift the file from one office to another or from one ministry to another. The resultant delays are sometimes unbelievably

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<sup>11</sup>Paul Appleby, Public Administration in India (New Delhi: Govt. of India Press, 1953), quoted in F. Goodnow, The Civil Service of Pakistan (New Haven: Yale University Press, 1964), pp. 211-212.

<sup>12</sup>Rowland Egger, "Ministerial and Departmental Organization and Management in the Government of Pakistan", Public Administration XXXIV (Summer, 1961), p.166.

<sup>13</sup>Ibid., pp. 163-165.



long.<sup>14</sup>

Probably the most important source of delay in the implementation of projects in Pakistan is the procedure involved in securing appropriation of funds from the Ministry of Finance. In order to check irregularities, the Ministry of Finance follows a complicated system consisting of a series of multiple checks for approving expenditures. Under this system, the Ministry scrutinizes every detail of each item of proposed expenditures and sometimes its probing go beyond financial considerations.<sup>15</sup> Before the introduction of financial adviser's scheme, proposals for expenditure were scrutinized by the Ministry of Finance twice: once at the time of inclusion in the budget and later on at the time when the formal administrative and expenditure sanction was accorded. The very inclusion of an item in the budget did not warrant sanction and cases were not infrequent where expenditure sanctions were not accorded despite the fact that provision for that particular project was included in the budget for that financial year.<sup>16</sup> These arrangements were a source of continuous friction between the Ministry

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<sup>14</sup>The First Five Year Plan, op.cit., p.118.

<sup>15</sup>Albert Waterston, Development Planning (Baltimore: The John Hopkins Press, 1965), p.265.

<sup>16</sup>E.A. Naik, "Budget and Executive Control of Financial Advisers", Perspectives in Public Administration (Lahore: Society of Public Administration, Civil Service Academy, 1962), pp. 36-37.

of Finance and the administrative ministries, firstly, because the ministries had to justify their proposals and schemes before the Ministry of Finance twice and secondly, because of the delays that usually occurred in the implementation of their schemes. As the First Plan notes "about a year for the average provincial scheme requiring central review to emerge from the sanctioning machinery".<sup>17</sup> Defects of Pakistani system of financial control have been well discussed in Egger's report. The budget system lacks the programmatic foundations which is <sup>essential</sup> to the effective budgeting of operations of modern governments. Government accounts are also in a messy state. There are huge sums of money in suspense accounts which is a repository of all unidentified expenditure. Final accounts for a large number of projects are not available for years after their completion. Proper and timely evaluation of a Plan is not possible without a streamlined system of accounts operating on commercial pattern. The accounting system prevailing in Pakistan is effective in its policing functions while it hardly serves the managerial needs of departments, ministries and government.<sup>18</sup>

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<sup>17</sup> The First Five Year Plan, op. cit., p.95.

<sup>18</sup> Rowland Egger, The Improvement of Public Administration in Pakistan, op. cit., p.36.

Administration in Pakistan is overcentralized. This weakness in the administrative process results from the gap between the qualifications of top administrative elites and lower level personnel. Moreover, the Government of British India was extremely centralized and Pakistan continued to follow this pattern after independence. The system is founded on belief in the infallibility of judgement if taken at sufficiently high levels no matter how far removed from the scene of action. Egger noticed in the high officials of Pakistan some degree of reluctance to place confidence in subordinates which impedes delegation and increases congestion.<sup>19</sup>

A modern state requires a multitude of technicians, specialists and other - all of whom must be empowered to make decisions within their respective areas of competence. As Goodnow observes, "the channeling of these decisions to a small number of generalists can only be rationalized by an unrealistic exaggeration of the latter's abilities."<sup>20</sup>

Superior unwillingness to delegate power has some bearing on prevailing social attitudes. A person looks upon his authority as a symbol of his "eliteness".

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<sup>19</sup>Ibid., p.24.

<sup>20</sup>H.F. Goodnow, The Civil Service of Pakistan (New Haven: Yale University Press, 1964), p.243.

His authority is a sign of his superior identity as an individual. To delegate part of his authority to subordinates is to give up part of his eliteness. To ask subordinates for their judgement before making a decision is to suggest that they are as worthy of elite status as he. Even to ask them for factual information as a basis for decision may imply that he is not really worthy enough to bear authority, since he must depend on subordinates. Hence he clings to his authority, if not deliberately but unconsciously. His decisions concerning new functions are authoritarian and often not responsive to the purposes to be served.

Besides this socio-psychological factor, high officials distrust of subordinate's capabilities also deter delegation. High level officials try to do work which should be done by their subordinates because the former do not trust the judgement of lower-level officials. Excessive centralization causes high officials to be over-burdened with detail to the neglect of policy formulation and planning. Project approvals are slowed down in the bottlenecks of top level review. Although the system of centralization may well have been successful in achieving its main objective of guaranteeing a sober and conservative decision process for orthodox governmental functions, but it does not meet the requirements

of modern government where quick and decisive action is called for.<sup>21</sup> The Government of Pakistan was aware of this problem. The Government set up reorganization bodies (The Central Administrative Reorganization Committee, The Provincial Reorganization Commission) to overhaul the central and provincial administrative machinery. Although some steps have been taken in the direction of decentralization and broad delegation of authority, yet the system leaves room for more improvement.

Although some degree of centralized decision-making and expenditure control are necessary for effective co-ordination of development activities, but the system of coordination which existed in Pakistan when the Government launched its First Plan was ineffective and spurious.

It exhibits itself in time-consuming, energy wasting, and patience exhausting checks and counter checks, references and cross-references, conferences and consultations often at the wrong levels and about unimportant matters. Co-ordination in the true sense of unified administrative leadership at vital points is generally lacking.<sup>22</sup>

In both India and Pakistan excessive reliance has been put on conferences and committees for decision making. Committees and meetings are overused and sometimes they are of little help to administration.<sup>23</sup> In Pakistan,

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<sup>21</sup> Bernard Gladieux, Reorientation of Pakistan Government for National Development (Karachi: 1955), p.68.

<sup>22</sup> The First Five Year Plan, op. cit., p.94.

<sup>23</sup> Jay B. Westcott, "Governmental Organization and Methods in Developing Countries", Development Administration, Concepts and Problems, ed. I. Swerdlow (Syracuse: Syracuse University Press, 1963), p.53.

the difficulties and delays of decision making by committees have been compounded by the methods of operation of the generalists who dominate the administrative machinery of the country. The generalists are expected to administer every kind of programme. But since they recognize their limitations in technical fields they often rely on group action. The result is proliferation of unnecessary committees. Lewis found in India that when generalist administrators face technical issues about which they know little, they refer the matter to the collective wisdom of a committee of their peers most of whom may be equally ignorant of the issue at hand. Usually the committee appoints a sub-committee which again convenes an advisory committee.<sup>24</sup> Although the above statement is little exaggerated and refers to the Indian administrative situation, still it is applicable to a considerable degree in Pakistan.

Recruiting technicians and keeping them on jobs constitute one of the serious obstacles to development in Pakistan. Administration is dominated by the generalists. More than 60 percent of central government's positions of secretary, joint secretary, deputy secretary are reserved for CSP officers - and in the provinces they (CSP) also usually head divisions and districts and fill

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<sup>24</sup>John P. Lewis, "India", Planning Economic Development, ed. E.E. Hagen (Illinois: Richard D. Irwin, Inc., 1963), p.105.

senior positions in the two provincial secretariats.<sup>25</sup> Higher status and preeminence of the generalist are the direct legacy of the past colonial administration. Scientists, engineers, and other technicians on whose skills and services depend development activities, are accorded comparatively low social and administrative status. Salaries offered by the government to technicians are below their market value. They do not enjoy the same status in policy formulation as the general administrators do. This distinction leads to heart-burning and to tension within service ranks.<sup>26</sup> Low status coupled with little promotional opportunities (which in most cases are on seniority basis) have kept many able technicians from seeking government employment. Framers of the Second Plan warned the government that "if this state of affairs continues, the vast development programmes that are being increasingly undertaken in the public sector will greatly suffer in execution".<sup>27</sup>

Besides this overwhelming emphasis on the generalist, the personnel practice in Pakistan reveals the following deficiencies. Recruitment standards are archaic and

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<sup>25</sup>J.D. Mezirow, Dynamics of Community Development (New York: The Scarecrow Press Inc., 1963), p. 152.

<sup>26</sup>The First Five Year Plan, op. cit., p. 113.

<sup>27</sup>Govt. of Pakistan, Planning Commission, The Second Five Year Plan 1960-65 (Karachi: Govt. of Pakistan Press, 1960), p.115.

lack uniformity. A recent survey by the Establishment Division (Pakistan) reveals that in the central Government alone there are 660 grades of pay and 880 different kinds of posts. This multiplicity of cadres and grades of pay makes a single recruitment policy impracticable.<sup>28</sup> The various All Pakistan Services were being administered by different ministries. The inevitable result was that varying standards were followed in matters of recruitment, promotion, transfer and discipline. In terms of money, the system is uneconomical since a number of ministries had to maintain separate establishment cells dealing with personnel matters. The departmental prejudices and influences also sometimes reacted unfairly on the personal prospects of individual officers.<sup>29</sup>

Although formal rules prescribe non-ascriptive tests for recruitment, yet familistic considerations greatly dominate appointments. Riggs has used the word "attainment" to describe such a situation. Attainment is a mode of recruitment which mixes ascription and

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<sup>28</sup>G. Mueenuddin, "Government and Recruitment Training Policies in Pakistan", Symposium on Management Training in Public Administration. Held in Lahore, Pakistan, Jan. 6-11, 1964, CENTO, Office of United States Economic Co-ordinator for CENTO Affairs, p.50.

<sup>29</sup>Govt. of Pakistan, Report of the Standing Organization Committee on the Reorganization of the Functions and Structure of the Central Government in the light of the new Constitution (Karachi: President's Secretariat, 1962), p.11.



achievement.<sup>30</sup> Technical competence is not enough to get appointment. Factors like family connections, loyalty to superior also influence recruitment. In a traditional society like Pakistan, the extended family, the clan or other primary groups are of special importance to individual members. Family bonds are still strong although some changes might have occurred in the recent past due to urbanization and industrialization. Individual member feels it as a moral duty to protect his family and advance its interest. His responsibility to the family takes precedence over any other general obligations to the society. In pursuing this "moral duty" the individuals who hold public offices often appoint least qualified relatives. In new states like Pakistan, notions of depersonalized bureaucracy with norms of equity and rationality have unevenly permeated the fabric of society. Only to a person who has greater social consciousness and acquired modern values do this act seem immoral. Sometimes a person may be unwilling to appoint his relatives but soon family pressure would be brought to bear on him to which he finally yields. Western educated officials find them in a conflicting situation. Their loyalty to the extended family often clashes with their

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<sup>30</sup>F.W. Riggs, op. cit., p. 167.

loyalty to state and public interests. In such a situation the person suffers from indecision. But the stronger loyalty ultimately wins over the other.

Besides this family pressure to appoint relatives and friends, the officials sometimes bypass the formal rules of the merit system to recruit those type of persons who would be helpful to reinforce their power position. Some appointing officers are more interested in the impact of appointment on their power position than on the administrative consequences. Thus position and power in the administration are not always achieved on the strength of merit, seniority and experience. According to the Pakistan Pay Commission (1949)"a large number of officers were promoted to posts which in the usual course they could never expect to occupy".<sup>31</sup> Certainly if persons are chosen for public jobs with a view to their family connections, power potential and their loyalty to superiors rather than to their professional capabilities, the result is loss of administrative efficiency which in turn impede development works. Thus nepotism and favouritism act as a great hindrance to development.

In Pakistan, administration suffers due to lack of proper differentiation between line and staff functions.

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<sup>31</sup>Govt. of Pakistan, Pakistan Pay Commission Report (Karachi: Govt. of Pakistan, 1949), p.48.

In administration there is little appreciation of the fundamental and pervasive differences between line and staff operations.<sup>32</sup> Since the line-and-staff idea is new in Pakistan, so organizational functions and relationships have not been fully delineated between line operations and staff functions. As a result, the functions are poorly performed and the line functions suffer from reduced leadership. This problem has been expressed in the Pakistan Enquiry Committee report of 1953:

Much of the time of officers, from highest to the lowest, is at present occupied with the affairs of their employees - their recruitment, appointment, pay, promotion, transfer, discipline and conditions of service generally, as well as with grievances, of individuals. It is necessary work; . . . but much of it can hardly be called public business.<sup>33</sup>

Pakistan's fiscal reform of July 1960 is an attempt towards the development of a line and staff system. Under the new arrangement, each ministry has been provided with a fiscal officer to advise the ministry on all financial matters.

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<sup>32</sup>Rowland Egger, The Improvement of Public Administration in Pakistan, op. cit., p.11.

<sup>33</sup>Govt. of Pakistan, Report of the Administrative Enquiry Committee (Karachi: Govt. of Pakistan, 1953), p.48.

## CHAPTER III

### EXTENT OF GOVERNMENT'S PARTICIPATION AND INTERVENTION IN THE ECONOMY

Faster economic development is the goal of all developing nations. Peoples are clamouring for development.

The issue of development has become a great political problem in the developing countries. The underdeveloped areas of the world have made of economic development a high ideal. They have associated it . . . with political independence, a sense of sovereignty, thought of as a means to redress long felt inferiority . . . . And aside from pride and power, they are filled with a feeling that it is practical and possible to overcome the persistent hunger, the preventable disease, death and misery which, among them, is commonplace.<sup>1</sup>

Thus today major attention of the government is directed primarily towards improving the standards of living of the people. The blueprint for desired development is generally reflected in a five year or seven year plan. The plan assesses the overall needs of the country, the total resources available and seeks to provide an outline of action indicating priorities.

The Government of Pakistan has been taking a positive role in the economic affairs of the country. The Government has become the superholding company of economic life. This trend of increasing governmental

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<sup>1</sup>Editorial in Economic Development and Cultural Change, No. 2 (June, 1952).

action is reflected in the economy of the country and offers a sharp contrast to economic activity in the 19th century which placed heavy reliance on private enterprise. The laissez-faire philosophy has lost its earlier charm with the passage of time. The old idea that there is a natural harmony of nature, which if undisturbed would bring greatest good to the greatest number, is no longer readily accepted.

The classical economy was essentially based on this idea of natural harmony. The protagonist of the classical capitalist economy believed that if the market remains undisturbed by the government, it would bring maximum economic satisfaction and benefit to the people as well as to society. But the strains and stresses caused by the great depression of 1930 have led people to abandon their faith in the efficacy of the completely free market economy.

Contemporary decision to use planning techniques reflects twentieth century unwillingness to leave to uncontrolled market forces the determination of a country's rate of growth, division of income, allocation of investment, and other variables affecting its economic condition and prospects.<sup>2</sup>

The old idea of natural harmony has been replaced by a

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<sup>2</sup>G. Colm and T. Geiger, "Country Programing as a Guide to Development", Development of the Emerging Countries, ed. R.E. Asher (Washington: The Brookings Institution, 1962), p.48.

new ideal : that of a man-made harmony. Free economy, free market are replaced by planned economy, planned society.

The contemporary world provides examples of divergent planning patterns followed in different economic systems - capitalist, socialist and mixed economies. Like most of the developing countries Pakistan also has a mixed economy. A brief discussion of planning concept under capitalist and socialist system would be profitable to understand the planning implications of a mixed economy.

Planning in the U.S.A. and in other West European countries primarily aims at removing certain socio-economic malaise and maladjustment by such proposals and changes as will not disturb the existing social and political order. Planning was and is being carried out within the framework of an essentially capitalist economy. Zweig calls this type of planning "functional". According to Zweig functional planning

will only repair, not build a new [economic system]; it will improve the work of the existing order but not supercede it. It is a conservative, or rather evolutionary type of planning, which will not overturn the existing structure, and move only within its borders.<sup>3</sup>

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<sup>3</sup>Quoted in Y.P. Pant, Planning in Underdeveloped Economies (Allahabad: Indian Press Publications Ltd., 1955), pp. 7-8.

The "New Deal" provides an example of planning in the capitalistic system. The aim of President Roosevelt was not to establish a new economic system. The "New Deal" as rightly stated by Brown "aim[s] at the elimination of those evils in the capitalist system which had produced the depression, and at more even distribution of wealth, especially in favour of the workmen and the farmer".<sup>4</sup> Before the great wars planning was concerned with a few aspects of national life like labour welfare, unemployment and housing. But after the war planning in the U.S.A. and the Western Europe developed manifold.

Unlike planning in the U.S.A. and Western Europe, Soviet planning is comprehensive and it embraces almost all aspects of national life. It controls all resources both men and materials and determines the distribution of resources for (1) investment as against consumption; (2) for the production of necessities as against luxuries; (3) for producing goods for domestic purposes as against foreign use; (4) for welfare as against defence. This type of planning may be called, to use the terminology of Zweig, "structural planning". Structural planning propose changes in the entire socio-economic organization by the creation of a new socio-economic order. To quote

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<sup>4</sup>A.J. Youngson Brown, The American Economy (1951), pp.173-74, quoted by Y.P. Pant, ibid.

Zweig:

structural planning aims at changing the socio-economic order of a given society and creating something essentially new in the social and economic order. Its aim is not to repair, but building up of a new order structure.<sup>5</sup>

Through planning the Soviet Union has achieved the swiftest economic transformation in human history. Beginning in 1928 a steady succession of five year plans of the U.S.S.R. have made spectacular success in turning its backward economy into a highly modern industrial economy within a very short period. This aroused world wide enthusiasm for economic planning and planned economy.

Under capitalism, the economy is primarily left in the hands of individuals in the market. Under socialism (Soviet), the economy is almost completely controlled and directed by the state. But it should be pointed out here that the capitalist economies have been moving away from dependence on regulated market decisions towards a greater measure of central control. And the socialist economies have never been as centralized as the text books suggest. What Hove calls the "totalitarian myth" consists in the belief that in the centrally planned economies

everyone does what he is told, and that everyone can be told exactly what to do . . . . This picture does, indeed, correspond to the version to be found

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<sup>5</sup>Pant, op.cit., p.7.



both in official Soviet textbooks and in the works of enthusiastic anti-communists. It does not . . . correspond to reality.<sup>6</sup>

Today if there is any controversy it is not about having a plan or no plan at all, but about the nature and extent of planning. The 20th century is characterized by expanding government control over economic life. "Nowhere it is completely absent nor does it cover anywhere one hundred percent of the economic activity."<sup>7</sup>

In between the two economic systems discussed above are various kinds of planned and semi-planned economies. Burma, India and Pakistan - all three have similar mixed government and private enterprise economies. A "mixed economy" sometimes called "administrative economy" or "dual economy" or "controlled economy" may be defined as an "economy reflecting a more or less judicious combination of public investment with private business".<sup>8</sup> It involves devising ways and means of harmonising and integrating the economic policies and programmes of government with those of private economic

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<sup>6</sup>A. Nove, The Soviet Economy (New York: Praeger Company, 1961), p.18.

<sup>7</sup>Barbara Wotton, Freedom Under Planning (London: George Allen and Unwin Ltd., 1948), p. 12.

<sup>8</sup>E.K. Mintz, "The Roles of the Public and Private Sectors in a Mixed Economy", Selected Papers on Development Economics and Administration, eds. H. Habib and G.S. Birkhead (Lahore: Pakistan Administrative College, 1963), pp. 86-87.

interests so as to enable them together to approach the highest possible level of well-being of the nation as a whole. Inherent in the term mixed economy is the idea that economic activity is determined by a blending of both private and public economic decisions, and a presumption also that the solution of the problem of economic planning may perhaps be found in a workable via media between the extremes of laissez-faire and the complete government control.

#### Government Attitude Toward Economic Control

Pakistani leaders avow a political philosophy with great stress on private enterprise. The government believes that the creative energies of the people can be best harnessed to the needs of development if policies of economic liberalism are pursued.<sup>9</sup> No doctrinaire assumptions underlie planning in Pakistan. The approach has been pragmatic all along. There have been no experiments in nationalization, no fancy slogans about socialism, no undue intervention in the private sector. Mohammad Ayub Khan, President of Pakistan, has declared that the government does not want to control all aspects of the daily lives of its citizens. "The government has

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<sup>9</sup>G. Ahmed, Chairman, Planning Commission, Preface to the Second Five Year Plan 1960-65 (Karachi: Govt. of Pakistan Press, 1960), p.xiii.

limited its own role to providing a suitable framework for the private sector and to the creation of those facilities which the private sector had neither the ability nor the willingness to develop".<sup>10</sup> Moreover, the government has been trying to stimulate the private sector by removing most of the administrative and bureaucratic controls which tend to hamper its progress.

Aziz Ahmed, Pakistan's former ambassador to U.S.A. in a lecture at the Far East American Council of Commerce and Industry, New York, has described Pakistan as the "largest showcase of private enterprise in the under-developed Afro-Asian world".<sup>11</sup> This statement finds support in the writings of Professor E.S. Mason who once served as Director of the Harvard University Group in Pakistan. Professor Mason observed "whatever tests of public versus private or of planning versus non-planning are applied, Pakistan is overwhelmingly a private enterprise economy".<sup>12</sup> Agriculture which employs three quarters of the labour force and generates 60% of the national income, all trade and commerce plus a

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<sup>10</sup>M. Ayub Khan, Forward in The Third Five Year Plan 1965-70 (Govt. of Pakistan, 1965), p. iv.

<sup>11</sup>Quoted by R.D. Campbell, Pakistan (Princeton: D. van Nostrand Co. Inc., 1963), p.73.

<sup>12</sup>E.S. Mason, "Economic Planning in Pakistan", Pakistan Anthology (Karachi: Pakistan Publications, 1961), p. 73.

large number of industrial units including cottage industries are in private hands. To put it in other way, eighty per cent of Pakistan's output is produced under private enterprise.<sup>13</sup> Mason's views coincide with those of other European and American observers.<sup>14</sup> Most of them found in Pakistan an economic climate favourable for foreign investment. Although public investment in Pakistan accounts for nearly two thirds of capital formation, a considerably larger share than is usual in the West, however, the largest part of public investment especially under the First Five Year Plan is being undertaken to provide social overhead capital and services.

#### Government Participation

We can determine the degree of government (central) participation in Pakistan economy by examining (a) government versus private ownership of resources, and (b) government versus private investment in resource development. Table 1 indicates the percentages of ownership of resources between private and public sectors. The pattern of government ownership in Pakistan nearly coincides with that of many West European countries. But it differs consi-

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<sup>13</sup>Ford Foundation, Design for Pakistan (New York: Office of Reports, Ford Foundation, 1965), p.34.

<sup>14</sup>J. Abs. Herman, Chairman, Deutsche Bank of Frankfurt; Sir Oliver Frank, chairman, Lloyds Bank Ltd., London; Allan Sproul, formerly chairman, N.Y. Federal Reserve Bank. These bankers visited Pakistan and submitted a report at the request of Mr. Black, President of World Bank.

TABLE 1

OWNERSHIP OF RESOURCES AND MEANS OF PRODUCTION (in % of total)

| Resource                                | Public | Semi-public | Private |
|---|--------|-------------|---------|
| <u>Electric power</u>                   | x      | 72          | 28      |
| <u>Fuel (mine production)</u>           |        |             |         |
| Coal                                    | x      | 30          | 70      |
| Petroleum                               | x      | x           | 100     |
| Natural gas                             | x      | 30          | 70      |
| <u>Minerals</u>                         |        |             |         |
| Regular production                      | (1-5)  | (5-15)      | (80-95) |
| <u>Industry</u>                         |        |             |         |
| Large & Medium scale                    | 10     | 20          | 70      |
| Small Scale                             | x      | x           | 100     |
| <u>Land</u>                             | x      | x           | 100     |
| <u>Transportation systems</u>           |        |             |         |
| Roads                                   | 100    | x           | x       |
| Railways                                | 100    | x           | x       |
| Ports                                   | 100    | 100         | x       |
| Inland waterway                         | 100    | x           | x       |
| Road Transport                          | 10     | 10          | 80      |
| Trucking                                | x      | x           | 100     |
| Passenger buses                         | 10     | 10          | 80      |
| Civil Aviation                          | x      | 100         | x       |
| Shipping                                | x      | x           | 100     |
| <u>Communication systems</u>            |        |             |         |
| Postal, Telegraph,<br>telephone & radio | 100    | x           | x       |
| <u>Water Control systems</u>            |        |             |         |
| Irrigation & Drainage                   | 95     | 2           | 3       |

Source: Campbell, op. cit., p.75.

derably from the American situation where radio, television, railway are owned by private companies. In Pakistan these are in public hands.

The Pakistan Government also owns a large percentage of the electric power production units of the country. But agricultural (cultivable lands) and industry at all levels, are preeminently private. Trucking and passenger bus service is largely run by private companies; and shipping is an entirely private business.

In some economic areas like water, power and road building, etc, where private enterprise is unlikely to invest capital, the government had to provide for development and continuing management. In other economic areas where private capital was shy and private entrepreneurs lacked necessary managerial and technical skills, the government had to furnish capital and initial management to start new industries. In both cases it was felt by the government that "the existing government bureaucracy . . . was too procedurally hidebound and central-authority-oriented to sponsor development activities effectively".<sup>15</sup> So since the beginning of the First Five Year Plan the government established many semi-public and semi-autonomous agencies for execution of government development operations requiring flexibility in management.

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<sup>15</sup>Campbell, op.cit., p.77.

The largest of the semi-public agencies are the East and West Pakistan Industrial Development Corporations. These corporations were established by the Government with the object of promoting industrial enterprises which other industrialists were either unable or unwilling to undertake. The policy of these two Corporations is to supplement rather than to displace the private investors. "The emphasis of the corporations is on the promotion, not the ownership of industries".<sup>16</sup> It is the objective of the corporation to associate, so far it is possible, private capital in its projects. Completed projects sometimes are transferred to private management. The Corporation has been given responsibility for developing industries in the following areas: jute, paper, heavy engineering, ship building, fertilizer, sugar, cement, pharmaceuticals, natural gas, petrochemicals and coal and peat. Other semi-public agencies are the Karachi Electric Supply Corporation, the Pakistan Industrial Development Bank, and Pakistan International Airlines.

The largest of the wholly government but semi-autonomous agencies are the East and West Pakistan Water and Power Development Authorities and East and West Pakistan Agricultural Development Corporations.

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<sup>16</sup>Economic Adviser to the Govt. of Pakistan, Financial Institutions (Rawalpindi: Ministry of Finance, 1964), p.73.

The former has been given responsibility for integrated planning, construction, operation, and management of water supply, electric power and reclamation programmes. The latter is responsible for providing adequate and timely supplies of agricultural requisites like seeds, fertilizers to farmers, and for conducting intensive integrated development programmes in selected project areas. East and West Pakistan Small Industries Corporations operate to stimulate cottage and small industries in the country. East and West Pakistan Road Transport Corporations and East Pakistan Inland Water Transport Authority look after road and water transport development. Besides these agencies, the government has also established many authorities to promote development of specific cities, for example, the Karachi Development Authority, the Dacca Improvement Trust, the Chittagong Development Authority and Khulna Development Authority. The operations of all these semi-public and semi-autonomous agencies are spread over practically all important sectors of the economy. These agencies correspond to Tennessee Valley Authority of America. Both the first and second Five Year Plans have stressed the importance and significance of these semi-public or semi-autonomous agencies for planning and implementation of development programmes. Under the Third Five Year Plan these agencies



are expected to handle around 55% of the total public sector allocation.<sup>17</sup>

Since 1955 Pakistan Government has completed two Five Year Plans. These plans spell out Government's (central) programmes for development. The Plans have described the contributions of the public and private sectors in the economic development of the country. Actual expenditures on the First Plan are reported as having been 7,500 million rupees for the public sector and 3,300 million rupees for the private sector; expenditures on the Second Plan were 14,620 million rupees for the public sector and 8,380 million rupees for the private sector.<sup>18</sup> The Third Plan which has been launched recently proposes an expenditure of Rs. 30,000 million for the public sector and Rs. 22,000 million for the private sector.<sup>19</sup> Thus the contribution of Government is greater than that of non-Government sources in all the five year plans of Pakistan. This pattern is likely to continue in foreseeable future.

A summary of the development programmes included in the Third Plan indicate two things : (a) planned investment in various areas, (b) areas of primary Government interest. For the five-year period the largest

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<sup>17</sup>Government of Pakistan, Third Five Year Plan, 1965-70 (June, 1965), p. 167.

<sup>18</sup>Ibid., p.183.

<sup>19</sup>Ibid., p.40.

single public expenditure is planned for water and power (Rs. 8,420 million), the second largest for transport and communications (Rs. 6,550.5 million) - two areas in which the Government has accepted the major responsibility for both development and operation. The largest single planned expenditure for private sector is industry (Rs. 8,300 million) and second largest is physical planning and housing (Rs. 4,000 million). In both areas the private capital has shown a major interest. One of the outstanding features of the Third Plan is the importance it attaches to an endeavour to convert agriculture, which has generally been a lagging sector, into a dynamic branch of productive activity. Rupees 8,670 million would be spent on agriculture. Apart from government's support, all major areas of the plan will have contributions from the private sector.

The intent of the central Government's planning and investment in various areas is summarized below:

Industry - As in the second plan, major reliance will continue to be placed on private investment for the bulk of industrial investment during the Third Plan. About 26.1% of the planned investment is for industrial, fuels and minerals development. Government will spend Rs. 188.5 million in the provision of industrial estates for large and medium scale industries, Rs. 38 million in schemes

of industrial research and planning, Rs. 463.5 million in a promotional programme for small scale industries and Rs. 128 million in scientific and industrial research. Public investment will be undertaken only in those areas where private capital is not available, where a joint venture cannot be organized or where considerations of national interest necessitate public investment. The proportion of Government investment to private investment in manufacturing industries during the Third Plan will be somewhat larger than the proportion in the Second Plan.<sup>20</sup>

Agriculture - Economy of Pakistan is primarily agricultural. Agriculture accounts for 49% of the national output and provides livelihood to 85% of the people who live in rural areas. Framers of the Third Plan consider development of agriculture as the sine qua non for the development of Pakistan's economy.<sup>21</sup> About 15.4% of the planned investment has been allocated for agricultural development. The Third Plan aims at making the country self-sufficient in food grains by providing irrigation water, fertilizer, improved seed and credit, bringing about institutional changes and furnishing price incen-

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<sup>20</sup>The Third Five Year Plan, 1965-70, *ibid.*, p.450.

<sup>21</sup>*Ibid.*, p.393.

tives to higher productivity. Among institutional measures proposed are an improvement in marketing, the strengthening of cooperatives, plant protection and extension services. The plan also provides for the promotion of mechanization. The use of tractors will be encouraged and workshop facilities for these will be improved.

Transport and Communication - The plan points out that very large investments would be required to maintain and create additional transport facilities in the country. So the Government's efforts would mainly concentrate on the rehabilitation and modernization of the existing facilities. The Third Plan has a very modest programme for the geographical expansion of transport facilities. About 17.9% of planned investment is for transport and communication. Rupees 10,450.5 million would be spent on transport and communication. The public sector would contribute Rs. 6,550.5 million and private sector Rs, 3,990 million. The plan encourages private investment in road transport, inland water transport and shipping.

Physical planning and housing - Housing would largely depend upon the efforts of private individuals and firms. Rupees 7,030 million (12.7% of planned investment) has been allocated to physical planning and housing. Rupees 4,000 million would be contributed by the private sector which would mostly finance housing. Rupees 3,030 million

- contribution of the public sector would be spent on such areas as city planning, low income public housing, water supply, sewerage, garbage disposal and rural sanitation.

**Water and Power** - About 15.2% of the total planned investment is for water and power development. The Third Plan objectives are to maximize the relatively easy development of "sweet groundwater" in the provinces through an expanded public and private tubewell programme, to work on canal modification and enlargement, reclamation and irrigation, drainage and flood protection. The Government is aware of the importance of electric power in the economic activity. In the country there is shortage of electricity which is hampering developmental works. So the Third Plan aims at providing sufficient and dependable supply of comparatively low-priced electric power to make up the present shortages, provide for meeting anticipated demands. Contributions of the private sector to this field of development is small - Rs. 1,550 million only.

**Fuels and Minerals** - The Government attaches importance to exploration and development of mineral and fuel resources of the country. Contributions of the private sector to this area is dominant. Total planned investment

for this field is rupees 1,450 million of which rupees 750 million would be contributed by the private sector.

### Intervention

The purpose of Government intervention is either to encourage or inhibit economic processes.

In Pakistan, as in most developing countries, intervention has largely been in the form of direct controls - that is to say, controls on capital issues, prices, profits, imports, exports and distribution of specific goods and commodities, rather than through fiscal and monetary practices.<sup>22</sup>

But the present government has been trying to depend more on fiscal and monetary practices to exercise necessary control. The policy of the Government, in this respect is stated in the Second Five Year Plan. The Government proposes to take "a decisive move towards a more liberal economy, and a bold switch over from direct control to a policy of regulation of the economy through suitable fiscal and monetary control".<sup>23</sup> Some measures have already been taken in this direction. For example, the Government recognizes the dangers to private industry of Government's strict control over foreign exchange; and these controls have been relaxed through the intro-

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<sup>22</sup>Campbell, op.cit., p.81.

<sup>23</sup>Govt. of Pakistan, Planning Commission, The Second Five Year Plan 1960-65 (Karachi: Govt. of Pakistan Press, 1960), p.77.

duction of the bonus voucher scheme. This scheme permits an exporter to keep 20% of his foreign exchange profits for imports. Many price controls have also been relaxed. The purpose is to rely more on control of interest rates and taxes rather than on direct controls. Foreign investors have been given important tax concessions and tax holidays. The Government has also decided to allow foreign investors to repatriate capital at any time.

The Government's major interest in providing guidelines and incentives is to ensure that private capital, both domestic and foreign, is invested in the most needed and appropriate areas. Private sector allocations may be viewed as targets based on the objectives and priorities of the Plan, rather than as specific programmes centrally determined. The purpose in indicating a breakdown of private investment, the Second Plan states,

is not to tie the private sector in a straightjacket, but to provide guidelines for the private investor as well as public authorities, and also to show the relationship between private and public development expenditures.<sup>24</sup>

The major means of production - agricultural lands and manufacturing industries - are largely in private hands. Government expenditures in both spheres tend to be developmental, corrective and contributory rather than increasing assumption of ownership of the means of

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<sup>24</sup>Ibid., p.13.

production. Nevertheless, Government ownership in the areas of communications, water control systems, transportation, electric power production and distribution and radio, etc., is considerable. How does the Pakistani situation compare with U.S.A. and U.S.S.R. in respect to Government ownership? Campbell has indicated

if the Government ownership in communist countries is given a score of nine or ten, and in the United States a score of one or two, then the score for Government ownership in Pakistan should be on the order of three or four".<sup>25</sup>

Campbell's scoring, no doubt, is arbitrary and oversimplified, but useful in describing the pattern and degree of Government ownership in different economic systems.

Government intervention in Pakistan has been considerable and will probably continue to be so for some time. Although the tendency is to relax direct control, some of these will remain operating throughout the foreseeable future. In a developing country like Pakistan, the role of Government in shaping and building the economy can hardly be questioned. But the important question facing the economists and policy makers in the country is as to what extent the government should aid in the achievement of goals and what part private decisions should play in achieving the goals.

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<sup>25</sup> Campbell, op.cit., p. 85.



## CHAPTER IV

### EARLY EFFORTS AT PLANNING IN PAKISTAN

#### Historical Perspective

Planning consciousness in India was evident as early as 1933. Sir M. Visveswaraya, author of "A Planned Economy for India", prepared a ten year plan aiming at doubling the income of the country. A resolution was passed at a conference of ministers of industries in October 1938 which states that

the problems of poverty and unemployment, of National Defence and of economic regeneration cannot be solved without industrialization. As a step towards such industrialization, a comprehensive scheme of National planning should be formulated.<sup>1</sup>

The Conference appointed a National Planning Committee which in turn, appointed several sub-committees to study different aspects of national economy. A number of reports were prepared by the sub-committees.

In 1941 the Government of India appointed a High Level Committee for planning. But in 1943 this was replaced by the Reconstruction Committee of the Cabinet, with the Viceroy as chairman. The committee made two reports on Reconstruction planning. Members of the

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<sup>1</sup>O.K. Ghosh, Problems of Economic Planning in India (Allahabad: Kitabistan, 1957), p.46.

committee observed that the "ultimate object of all planning [is] to raise the standard of living of the people as a whole and to ensure employment for all".<sup>2</sup>

The subject of economic development gained momentum in the sub-continent immediately after the Second World War. A number of "National" plans were prepared by private agencies.<sup>3</sup> But the systematic effort towards formulating a national plan for India was made in 1944 when eight leading businessmen of the country prepared "A Plan for the Economic Development of India", popularly known as the Bombay Plan. The plan

is not in any sense a complete scheme . . . . The object is merely to put forward, as a basis for discussion, a statement, in as concrete a form as possible, of the objective to be kept in mind in economic planning in India, the general lines on which development should proceed and the demands which planning is likely to make on the country's resources.<sup>4</sup>

The plan envisaged spending Rs. 10,000 crores in three successive five year stages. The principal objective of the plan was to double the per capita income.<sup>5</sup>

Private plans, however, were limited in significance and became academic in view of the fact that

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<sup>2</sup>Ibid., p.47.

<sup>3</sup>The Peoples Plan prepared under the auspices of the Indian Federation of Labour, April 1944. The Gandhian Plan prepared by Prof. S.N. Agarwala.

<sup>4</sup>Ghosh, op. cit., p. 48.

<sup>5</sup>Y.P. Pant, Planning in Underdeveloped Economies (Allahabad: Indian Press Ltd., 1955), p.57.

they lacked the necessary sanction.<sup>6</sup> Nevertheless, the private plans were successful in initiating a planning consciousness in the country. In 1944 the central government established a separate Department of Planning and Development. The Department was assigned to prepare and finalize central development projects and to co-ordinate them with schemes prepared by other provincial departments in order to form a comprehensive plan. At the initiative of the Planning and Development Department the provincial governments prepared many development projects for their respective provinces. And a decision was reached that all the provinces would receive central grants or loans to finance their projects. In September 1946, about a year before Partition, an Advisory Planning Board was constituted to carry out a rapid survey of the work already undertaken in the field of planning and to make recommendations for improving the planning machinery of the country.<sup>7</sup>

#### Partition and Its Effects

Independence came before any action for implementing the development projects (prepared earlier by the Central

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<sup>6</sup>Ibid., pp.42-43.

<sup>7</sup>V.T. Krishnamachari, Fundamentals of Planning in India (New York: Frederick A. Praeger, 1962), p. 40.

Planning and Development Department in co-operation with the provinces) could be taken. While Pakistan gained political independence she had to pay a high price for it.

From the standpoint of development, the major effects of Partition were the enormous upheaval that accompanied the wholesale transfers of population, the disruption of trade and business, channels of communication, marketing relationships, industrial and Commercial organization, and the pressing need to establish new central and provincial governments.<sup>8</sup>

With Partition a large scale migration of people followed. It is believed that about 6 million refugees have migrated from India to Pakistan. With few exceptions, most of them came almost empty handed. Pakistan Government was obliged to spend heavily in feeding the refugees and in providing them with shelter. Trade, business, professions of law, medicine, engineering and business management were dominated by the Hindus and the sikhs. The mass departure of Hindus and Sikhs created a sudden vacuum in all these fields which the muslim refugees having different occupational patterns could hardly fill. Muslim refugees were mostly agriculturists and craftsmen. Technical institutions, schools, colleges and universities suffered similar hardship with the departure of non-

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<sup>8</sup> Govt. of Pakistan, National Planning Board, The First Five Year Plan 1955-60 (Karachi: Govt. of Pakistan Press, 1957), p.8.

muslim teachers. In some places, essential municipal services like water supplies, electricity, etc. came nearer to breaking point. Operations of banks and insurance companies became impossible due to lack of managerial staff.

Areas constituting the State of Pakistan had virtually no industry. Neither the European business community nor the Parsees were attracted to such areas.<sup>9</sup> Consequently this negligence resulted in lop-sided development. Some regions became industrialized while others lagged behind. For example, there were very few cotton mills in West Pakistan although it produced large quantities of staple cotton. East Pakistan provides a much worse picture. At the time of Independence there were no jute mills in East Pakistan although she grew about 70% of the total jute crop of the sub-continent. The great port cities, centre of trade and business, almost all established industrial facilities happened to fall on the Indian side. Pakistan inherited primarily agricultural areas. Condition of port facilities was deplorable. In fact, in 1947 East Pakistan had hardly any port facilities. Railways and roads in East Pakistan were

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<sup>9</sup>S.M. Akhtar, Economics of Pakistan (Lahore: The Publishers United Ltd., 1956), II, 8.

most backward of the whole subcontinent. During the early period of Independence there was hardly any movement of people or commerce between the two provinces.

In the sphere of Government, Pakistan had to set up two new capitals - Karachi and Dacca. Great difficulties were encountered in establishing new central and provincial ministries, departments and offices. There was lack of suitable office space, equipment and staff. The new civil service of Pakistan consisted of only 100 members of the Indian Civil Service.<sup>10</sup> In some departments like Railways, Post and Telegraph there was surplus of low grade employees who opted for Pakistan.<sup>11</sup> So the government had to maintain the excess employees on supernumerary list till they were absorbed in new jobs. But most of the other departments lacked properly trained and experienced employees necessary to run a modern government efficiently.

These basic problems were further accentuated by political instability in the country. Factional rivalries and lack of consensus on major issues like system of electorate, state language delayed enactment of a constitution. After eight years the country received

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<sup>10</sup>H.F. Goodnow, The Civil Service of Pakistan (New Haven: Yale University Press, 1964), p. 27.

<sup>11</sup>Keith Callard, Pakistan: A Political Study (London: Allen & Unwin Ltd., 1957), p.289.

its constitution. The death of Liaquat Ali Khan, first Prime Minister of Pakistan, in 1951 caused a vacuum in top political leadership. Since then no cabinet had full support of the electorate, legislature or party.<sup>12</sup> The country had no well-developed party system.

Party politics became a mad scramble for power. Government after Government rose and fell and within a period of five years six Prime Ministers presided over precariously balanced cabinets. The real and pressing problems of the country were ignored in this hide and seek for power.<sup>13</sup>

It is against this background of serious economic stresses, the refugee problem, lack of experienced and qualified administrators and technicians, absence of banking and industrial and commerce facilities and political instability that Pakistan's development efforts must be considered.

#### Evolution of Planning Machinery

In spite of all difficulties the new nation devoted its attention and energy to development and progress of the society. In 1948, the government created a Development Board. Its main functions and responsibi-

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<sup>12</sup>"Economic and Political Problems in Pakistan", The Economist (Dec. 2, 1961), pp.173-74.

<sup>13</sup>Mohammad Ayub Khan, "Pakistan Perspective", Pakistan Anthology (Karachi: Pakistan Publications, 1961), p. 4.

lities were co-ordination of development plans, making recommendations on priorities, watching progress of development projects works.<sup>14</sup> The Board consisted of a chairman, a vice-chairman and five other members. Minister of Economic Affairs and Secretary General of the cabinet were chairman and vice-chairman respectively. Five other members were secretary of Finance Ministry, secretary of Industries and Commerce, secretary of Education and Health, secretary of Food and Agriculture, and secretary of Communication. The Board was administratively responsible to the cabinet secretariat. But later Ministry of Economic Affairs became its controlling agency.

Along with this Development Board, another planning agency created by the government was the Planning Advisory Board. The Planning Advisory Board acted merely in an advisory capacity. Its functions were confined to advising government on matters pertaining to planning and building support among the public for development work. The Planning Advisory Board was composed of officials of centre and provinces and representatives from private sector. It worked in close association with the Ministry of Economic Affairs which was established in 1948 for day to day co-ordination of economic matters between the various minis-

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<sup>14</sup>A.M. Haq, "Reflections on Economic Planning in Pakistan", Far Eastern Survey (Jan. 1958), Vol.27, p.1.



tries. There were also a number of industrial boards and committees of the central and provincial governments to assist the Planning Advisory Board.

In 1947 when Pakistan came into existence a great number of prepared projects were at the desk of its provincial governments. But in view of the fact that all these projects were prepared some years ago and also under a different situation, the Development Board felt it necessary to review these projects in the light of Pakistan's new needs and situation. Accordingly, it requested the central ministries and provincial governments to reexamine and modify the old projects. The Development Board received a good response. It received a large number of new projects and also old modified projects. Till 1951 the Development Board approved 112 schemes costing rupees 1,125 million.<sup>15</sup>

A great anomaly which existed at the initial stage of Pakistan's planning efforts was that the government many times approved projects for implementation without referring them to the Development Board.<sup>16</sup> Furthermore, the central government lacked effective means

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<sup>15</sup>United Nations, Economic Survey of Asia and the Far East 1954 (New York: United Nations, 1954), p.159.

<sup>16</sup>Andrus Russell and F. Mohammad Azizali, The Economy of Pakistan (London: Oxford University Press, 1958), p. 479.

of controlling the execution of projects to which it provided grants and loans. Till then Pakistan was working without a long and comprehensive plan. The Development Board did not make any integrated comprehensive planning. It did not even make any attempt to relate projects to one another.<sup>17</sup>

### Six-Year Development Programme

Planning in Pakistan gained momentum in May 1950, when some European countries offered their help under a Six Year Development Colombo Plan. In 1950 at a conference of Commonwealth Finance Ministers, the idea of a regional programme of economic development in south and south-east Asia was discussed and it gained support from participating members. A Commonwealth consultative committee was established in order to devise ways and means of improving the economic situation in the Commonwealth countries. The committee suggested that Commonwealth countries should prepare their development plans for the six year period beginning in mid-1951. A Council of Technical Co-operation would provide training facilities, experts and equipment. Pakistan prepared its Six Year Development Programme beginning from July 1951 to June 1957. The Plan was pre-

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<sup>17</sup>Albert Waterston, Planning in Pakistan (Baltimore: John Hopkins Press, 1963), p. 15.

pared hastily in three months time. The plan was incorporated into the Colombo Plan in September 1950. In November, 1950 the Government of Pakistan adopted the Plan. The Plan provided for expenditure of rupees 2,600 million, of which rupees 2,200 million was for public development and rupees 400 million for private investment.<sup>18</sup> Agriculture received the largest allocations. A large amount of resources was directed on the building of "overhead" facilities such as communications, power and irrigation.

The Six Year Development Programme may be regarded as a public investment programme. It contained projects which were prepared on an ad hoc basis. Projects were prepared without basic statistics and information. Moreover, planners did not take into consideration the availability of resources and the requirements of the economy. Lumpsum money was allotted for agriculture and for other sectors because specific projects were not available. The Six Year Programme set physical targets. But no attempt was made to relate projects to targets. This was more so with agriculture sector. In the plan it was indicated that there would be about 30 percent increase in the national income. But the plan gave no indication

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<sup>18</sup> Keesing's Contemporary Archives, Sept. 24-31, 1951, p. 11349.

of on what basis this increase has been estimated, The Plan did not provide an integrated framework for development. So "development proceeded by fits and starts and some maladjustments appeared in the economy".<sup>19</sup>

### Two-Year Priority Programme

The Government had to omit many of the projects of the Six Year Development Programme due to their unfeasibility. The government felt urgent need of modifying the Six Year Programme on the basis of its past experience. The Government decided to work on the basis of a two years priority programme. Accordingly the government adopted a two years priority programme. for 1951/52 and 1952/53. This plan modified the development expenditure and changed output targets and order of priorities of the Six Year Development Programme. Total expenditure for the two years programme was estimated at Rs. 505 million. <sup>The</sup> Interesting thing to note is that about half of this amount were allotted for projects not included in the Six Year Development Programme.

In January 1951, the government reorganized the whole planning organization with a view to making it

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<sup>19</sup>The First Five Year Plan 1955-60. op.cit.. p.9.

strong and more effective. The Planning Advisory Board was abolished. A new Planning Commission came in place of the Development Board. The Commission included twenty members, Minister of Economic Affairs was its chairman. The Secretary General of the Cabinet acted as its vice-chairman. Other members were permanent Secretaries of almost all the central ministries, the Director General of the Railway, the head of the Pakistan Industrial Development Corporation as well as nominees of the provincial governments. Besides the Planning Commission, the government also established an Economic Council (the economic committee of the cabinet) with the responsibility for implementing the Six Year Development Programme, approving projects under the programme.<sup>20</sup> The Planning Commission was made responsible for those functions hitherto performed by the Development Board and the Planning Advisory Board. In practice, however, its main task consisted of assessing and reviewing of development projects and submitting recommendations to the Economic Council.

For two years the Planning Commission worked without any rules of procedures for consideration of development projects. Moreover,

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<sup>20</sup> Keessing's Contemporary Archives, Sept. 24-31, 1951, p. 11349.

projects were frequently approved which had not been fully worked out and at times projects were started although they had not been subjected to the scrutiny of the Planning Commission or the Economic Council, nor did any agency follow the progress of approved projects and compare results with expectations.<sup>21</sup>

This statement clearly shows that there was lack of co-ordination and control in development efforts in government organization.

Nevertheless, much progress was visible. Industrial output increased by three and a half times between 1950 and 1955.<sup>22</sup> Power, transport, ports and communication and social and municipal services registered great improvement. But this progress was not sufficient to meet greater demands of society.

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<sup>21</sup> Govt. of Pakistan, Ministry of Economic Affairs, Report of the Economic Appraisal Committee (Karachi: Ministry of Economic Affairs, 1953), pp. 173-74.

<sup>22</sup> F. Gustav Papanek, "The Development of Entrepreneurship", American Economic Review LII, No. 2 (May, 1962), p. 51.

## CHAPTER V

### THE FIRST FIVE YEAR PLAN AND THE PLANNING ORGANIZATION

Development in Pakistan was taking place haphazardly although government created some organization for economic planning and development. Isolated projects were presented to the Planning Commission. And the Commission did not make any integrated general development programme. Consequently, isolated projects were taken up without relation to a general development plan or even to other projects in the same sector.

As the development work proceeded the Government was gradually realizing some of these defects. In August 1952, the government appointed one Economic Appraisal Committee to review progress in development work under the Six Year Programme and to make recommendations on the over-all pattern of economic development during the following five years. In its report, the committee observed that

though certain targets in different fields have been laid down, they have not been considered in relation to the over-all resources and requirements, and consideration and approval of schemes has proceeded essentially on an ad hoc basis . . . . For successful prosecution of the development programme . . . an adequate and efficient planning organization is essential.<sup>1</sup>

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<sup>1</sup>Report of the Economic Appraisal Committee.  
op.cit., pp. 124 & 203.

The committee asked for vigorous and integrated planning. It did not recommend any change in the existing planning set-up.

But in July, 1953 the Government created a Planning Board consisting of three members for more orderly and integrated planning.<sup>2</sup> Its main task was to prepare a new national Five Year Development Plan on the basis of available resources and to propose changes in administrative organization to facilitate smooth implementation of development projects.<sup>3</sup> The Planning Board started actual working in the middle of 1954 with a few administrative staff and three or four senior professional staff members. Soon after the establishment of the Planning Board, its chairman realized that the Board would not be able to carry out its mandate with this few Pakistani staff. So in February, 1954, the Government of Pakistan, the Ford Foundation, the Harvard University made an agreement under which the University - with funds provided by Ford Foundation - would recruit and send a group of experts to Pakistan to help the Planning Board.<sup>4</sup> Even-

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<sup>2</sup>Asian Recorder, May 19-25, 1956, 849-A.

<sup>3</sup>Govt. of Pakistan, Resolution No.2(24)PG/53, July 18, 1953, quoted in Pakistan's First Five Year Plan 1955-60, Draft, Vol.I, 1956, p.I.

<sup>4</sup>The Ford Foundation, Design for Pakistan (New York: Ford Foundation, 1965), p.2.



tually the Planning Board secured continuous services of about eight to twelve full-time advisers and a few consultants. A few Pakistani staff assisted by these foreign experts, were preparing the First Five Year Plan of the country.

#### Preparation of the First Plan

The economic situation in 1954-55 was far from satisfactory. Living standards were among the lowest in the world. Development carried so far failed to register any real increase in per capita income due to population increase which tend to neutralize the effect of the former. A considerable amount of resentment developed in East Pakistan over the question of economic disparity between the two provinces. In fact, in East Pakistan it became an explosive political issue. At the time of independence East Pakistan was less developed than West Pakistan. But since independence West Pakistan continued to develop at a faster rate than East Pakistan. West Pakistan had the advantage of its large area, mineral and hydro-electric potential and added to these she had industrial entrepreneurs and skilled workmen and administrative personnel. In the year 1959-60 per capita income of West Pakistan was 29 percent higher than that of East Pakistan.<sup>5</sup> Moreover,

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<sup>5</sup> Mahbubul Haq, The Strategy of Economic Planning (Lahore: Oxford University Press, 1963), p. 92.

during the period extending from 1951-52 to 1959-60, the regional income increased by 36 percent in West Pakistan and 20 percent in East Pakistan even though the rate of population increase was faster in West Pakistan than in East Pakistan.<sup>6</sup>

All these considerations influenced the size and composition of the First Five Year Plan which is considered to be "the first conscious attempt at forcing the pace of development . The Plan was the first decisive step in the long and arduous ascent ahead".<sup>7</sup> Maintenance of Islamic values, equitable distribution of income and wealth and directives of state policy as embodied in the constitution of 1956 guided the planners in formulating the programmes of the First Five Year Plan. In May 1956, a draft plan covering the five year period from April 1, 1955 to April 1, 1960 was published for public comment and discussion. The Planning Board invited suggestions for improving the scope and content of the Plan from various agencies of central and provincial governments, chambers of commerce and industries, Universities, trade unions, co-operative societies and the press. Moreover, the Planning Board held discussions

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<sup>6</sup>Ibid.

<sup>7</sup>The First Five Year Plan 1955-60, op. cit., p.1.

with the provincial governments and with various central ministries concerned. The Plan was revised by the Board in the light of conclusions emerging from these discussions.

The revised Plan was submitted to the National Economic Council in February 1957 for its approval. The Council accorded approval to the Plan in April 1957. But the final version of the Plan did not come out till 1958 when the first three years of the Plan had already passed. Lack of adequate planning arrangements in central and provincial departments and agencies, inadequate statistics and rapidly changing political leadership are some of the causes responsible for this delay.<sup>8</sup> The objective of the Plan as stated in the final Plan were as follows:

- (a) To raise the national income and the standard of living of the people;
- (b) To improve the balance of payments of the country by increasing exports and by production of substitutes for imports;
- (c) To increase the opportunities for useful employment in the country;
- (d) To make steady progress in providing social services: housing, education, health, and social

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<sup>8</sup> Andrus Russel and F. Mohammed Azizali, op.cit., p. 489.

welfare; and

- (e) To increase rapidly the rate of development especially in East Pakistan and other relatively less-developed areas.<sup>9</sup>

A sizable programme of development was under way and many projects were in various stages of implementation when the Planning Board began to prepare the Plan. Recognizing the need for completing the on-going projects, the Board included in the Plan all those schemes that were under execution. So the First Plan in its early years largely reflected the pattern of development which was already under way. Only in later years the changes in the pattern of investment advocated by the Planning Board could become effective.

The determination of the total size of the programme may be approached in two ways - either through a statement of requirements or through an estimate of available resources. The first approach states requirements in terms of general targets like increase of national income or creation of certain number of jobs. And on the basis of these targets or objectives, total capital resources necessary to attain the former may

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<sup>9</sup>The First Five Year Plan 1955-60, op.cit., p.13.

be estimated. The estimated amount may be considered as the total monetary magnitude of the programme. The other approach tends to determine the size of the programme through an estimate of available resources. Targets are made keeping in view the readily available and potential resources. In the former case targets are made on requirement basis and resources are mobilized accordingly. The Planning Board had to choose between these two courses while formulating the Plan. The Board rejected the first approach as it was likely to impose serious economic hardship on the people. However, in adopting the second approach the Planning Board made it clear that this did not mean absence of sacrifice nor did it mean that there was no assessment of requirements. In fact, the Plan was "formulated through a process of successive approximations by means of a comparison of resources available and of claims upon these resources".<sup>10</sup>

#### The Plan's Size and Provisions

The Plan envisaged a 15 percent increase in gross national product. The authors of the Plan made it clear that the programmes were expected to bring only a modest

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<sup>10</sup>Ibid., p.73.

improvement in living standards. Although national income was likely to increase by 15 percent by 1960, the concurrent growth in population (7.5) would mean that per capita income would rise by only 7 percent.<sup>11</sup> The national development programme proposed in the Plan called for investment totaling 10,800 million rupees; Rs. 7,500 million in the public sector and Rs. 3,300 million in the private sector.<sup>12</sup> Over a third of the public expenditure was sanctioned for agricultural and rural development; a fourth of development outlay was directed to industry and power development.

A detailed break-up of expenditure is shown in Table 2 and 3 below.

### Review of the First Plan's Results

Actual investment during the Plan period fell short of Plan targets by about 30 percent.<sup>13</sup> Government's inability to mobilize domestic savings may be accounted for failure to physical targets of the Plan. The Plan required domestic savings of about Rs. 6,600 million of which only 4,680 million was realized during the Plan period.<sup>14</sup> Other factors responsible for the short-

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<sup>11</sup>Ibid., p.13.

<sup>12</sup>Ibid.,

<sup>13</sup>M. Haq, op.cit., p.141.

<sup>14</sup>Ibid., 142.

TABLE 2

DEVELOPMENT EXPENDITURE UNDER THE FIRST FIVE YEAR PLAN<sup>a</sup>

| Sector                                  | Amount in million Rs. | Percentage of total |
|---|-----------------------|---------------------|
| Village AID & Rural Development         | 298                   | 3.2                 |
| Agriculture                             | 1207                  | 12.9                |
| Water & Power Development               | 2697                  | 28.8                |
| Industry (including fuels and minerals) | 1622                  | 17.4                |
| Transport & Communications              | 1666                  | 17.8                |
| Housing & Settlements                   | 861                   | 9.2                 |
| Education and Training                  | 580                   | 6.2                 |
| Health                                  | 288                   | 3.1                 |
| Social welfare & others                 | 133                   | 1.4                 |
| <b>Total</b>                            | <b>9352</b>           | <b>100.0</b>        |
| Less: likely shortfall                  | 1852                  |                     |
| <b>Estimated Net Expenditure</b>        | <b>7500</b>           |                     |

<sup>a</sup>Source: Govt. of Pakistan, Planning Board, The First Five Year Plan 1955-60 (Karachi: Dec. 1957), p.15.

TABLE 3

SUMMARISED SOURCES AND USES OF RESOURCES<sup>b</sup>

| Sources              | Amount in million Rs. | Uses                           | Amount in million Rs. |
|----------------------|-----------------------|--------------------------------|-----------------------|
| Public Savings       | 1000                  | Public investment              | 3300                  |
| Private Savings      | 5600                  | Public Development Expenditure | 7500                  |
| <b>Total Savings</b> | <b>6600</b>           |                                |                       |
| Exttrnal finance     | 4200                  |                                |                       |
| <b>Total</b>         | <b>10800</b>          | <b>Total Uses</b>              | <b>10800</b>          |

<sup>b</sup>The First Five Year Plan. *ibid.*, p. 22.

falls of the Plan were unfavourable weather, deterioration of the terms of trade and lower foreign exchange earnings, higher project cost resulting from increased world prices and late arrival of foreign aid.<sup>15</sup>

During the Plan period the national income increased about 11 percent instead of projected 15 percent. Because population increased 12 percent instead of 7 percent foreseen in the Plan. The Plan claimed to have given the topmost priority to agriculture though it earmarked only 11 percent of the total funds to agriculture as against 28 percent to industry and estimated an annual increase of 2.5 percent in agricultural output compared with 12 percent in industrial output. In actual practice, the targets in the industrial sector were achieved but there was substantial shortfall in agricultural targets. So by the end of the First Plan the stagnant character of the agriculture sector appeared to be the "most important bottleneck in the way of rapid economic growth, industrialization efforts and export promotion schemes".<sup>16</sup>

The First Plan registered a rapid expansion in the production of some consumer goods industries like cotton textiles, sugar, paper and cigarettes. While in

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<sup>15</sup>Govt. of Pakistan, Second Five Year Plan 1960-65, op.cit., pp. 2-3.

<sup>16</sup>M. Haq, op.cit., p.171.



the sphere of producer goods like cement, fertilizer, steel ingots, natural gas, etc. the output was not as commendable. The result was that the basis of industrialization remained rather weak and uncertain. However, the First Plan succeeded in building up some economic and social overheads in the country. Power capacity exceeded plan targets; railway transport, roads, ports, civil aviation, etc. made impressive progress. And expansion of telephone, telegraph and postal facilities fulfilled plan targets.<sup>17</sup>

Although the First Plan made a lot of investment into the housing sector, the low-cost housing facilities did not improve much. Because government offices and private luxury buildings took precedence over the essential programme of low-cost housing. In short, the First Plan succeeded in creating some infra-structure and in achieving some industrial growth but it failed to improve much the basic problems of agriculture, education and housing. However, there is no denying the fact that the First Plan laid the foundation for more rapid and balanced progress in the future. In fact, although the progress was less than what was hoped, nevertheless, a significant improvement was visible

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<sup>17</sup>The Second Five Year Plan 1960-65. op.cit.. p.2.

in the climate for economic growth, making accelerated development possible during the Second Plan . . . conditions are now ripe for taking a decisive step forward in the advance toward a self-reliant and self-sustaining economy.<sup>18</sup>

## Planning Machinery

### The Planning Board

Although the Planning Board was initially handicapped due to lack of qualified professional staff, but by 1955 its organization took shape. The Board recruited a large number of professional staff - 55 in number. The Board divided its functions into three broad divisions: Economic, Projects and Administration. The Economic division was responsible for economic research, recommending sectoral priorities and preparation of the Plan. The division had four sections - (1) Fiscal and Monetary, (2) International Trade and Foreign Exchange, (3) National Income Statistics, and (4) General Economics. The Project division was responsible for examination and recommendation of projects to be included in the proposed plan. The project division consisted of nine sections - (1) Agriculture, (2) Industry and Commerce, (3) Power, Irrigation

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<sup>18</sup>Ibid., p.3.

and Reclamation, (4) Transport and Communications, (5) Housing and Settlements, (6) Education and Training, (7) Health, (8) Manpower and Employment and (9) Social Services. The Administrative division had responsibility for office administration and liaison activities with outside agencies. It had five sections - (1) Administration, (2) Co-ordination, (3) Development authorization, (4) Publicity and (5) Budget and accounts. Each member of the Board was responsible for one division. The chairman was in charge of the Economic division. Although one member of the Board responsible for running the affairs of the Administrative division, the chairman had the final word in all administrative and personnel matters. As a matter of fact, "the Administrative division actually consumed much of the chairman's attention and greatly reduced the time which he could give to substantive matters".<sup>19</sup>

The Planning Board was purely a technical and advisory body. It had no authority to make any decisions. It was only authorized to submit recommendations to the government. The government was the ultimate body to make any final decision. The Planning Board was the only staff agency in Pakistan where almost all government

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<sup>19</sup>Albert Waterston, op.cit., p.23.

units were executing bodies.<sup>20</sup> The idea of a staff such as the Planning Board was a new thing in Pakistan. So many government officers were initially confused as to the Planning Board's role and functions.

In the beginning, relationship between the Planning Board and other government units were not smooth. Many times the Planning Board had to return projects submitted by ministries, departments and agencies. So they acted indifferently when the Board made any request for information or asked for submitting projects. Some government officers did not realize that effective planning required close and continuing co-operation between the planning organization and the operating ministries and departments. The situation was further aggravated by jurisdictional confusion and lack of understanding between the Ministry of Economic Affairs and the Planning Board. The Planning Board was administratively attached to the Ministry of Economic Affairs, although, in practice, it worked as an independent body. The Ministry of Economic Affairs was responsible for planning, initiation of projects, development co-ordination, reporting on progress of development projects. The Ministry had a planning wing which actually used to carry these functions. Proliferation

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<sup>20</sup>Ibid., p.24.

of planning organization with overlapping functions and without clear cut jurisdictional boundaries led to confusion and delay in execution of projects. The Federal Reorganization Committee (1956) regarded the Planning Commission and the Ministry of Economic Affairs as redundant and therefore suggested their abolition. The committee found the Planning Commission "a rather heterogeneous body, imperfectly equipped to conduct objective evaluation of projects and fixation of priorities, a disability which is accentuated by the hurried manner in which it has to perform its task".<sup>21</sup> The Committee therefore, recommended that the Planning Board be strengthened and given all responsibility for assessing projects and determining priorities. The Federal Reorganization Committee further recommended that the central planning function be transferred from the Ministry of Economic Affairs to the office of the Prime Minister. But the Government did not accept these recommendations. The Government tried to solve the problem of co-ordination by working out a new arrangement. Under this arrangement, the government agreed not to take any decision on projects received from the Planning Commission without referring them to the Planning Board for its recommendations.

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<sup>21</sup>Government of Pakistan, Cabinet Secretariat, Report of the Federal Reorganization Committee 1956 (Karachi: Govt. of Pakistan Press, 1956), p.5.

The Planning Board had been working so far as a temporary agency. The Board made many attempts to turn it into a permanent agency. And in April 1957, the Board was given permanent status. Some functions hitherto performed by the Ministry of Economic Affairs and the Planning Commission were transferred to the Board. The Board was assigned the following functions:<sup>22</sup>

- To prepare future plans of economic and social development;
- To render technical advice on economic, financial issues;
- To stimulate and, where necessary, to initiate the the preparation of schemes for economic and social development;
- To examine and include projects in development plan;
- To review progress of development projects;
- To stimulate and expand research especially in economic field;
- To submit periodic reports as requested by Government.

Permanent status and addition of greater responsibility tend to increase Board's prestige in the government. The Board made a few attempts to gain some authority to look into execution of projects. This move was opposed

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<sup>22</sup>Report of the Federal Reorganization Committee 1956, ibid., pp. 6-7.

by different ministries on the ground that the Board's function was a staff function. So it should not involve itself in the operation. Moreover,

to combine in a single organization the function of planning and implementation at the centre would be to set that organization a well-nigh impossible task . . . . Planning and implementation, both very heavy tasks, require different qualities in those responsible for their fulfilment. Good planners may not always be good executives.<sup>23</sup>

So the Government did not accept the Board's above request considering the fact that such mingling of planning and execution functions would neither be fair nor would it produce the desired results. The Board also made request to the government that it be given authority to prepare the annual development programme (public capital development expenditure of the budget). In this case also due to opposition from the Ministry of Finance, the request was rejected.

In April 1957 when the government made the Planning Board a permanent agency the Prime Minister assumed the office of chairman of the Board. Secretary, Ministry of Economic Affairs, became its Deputy-Chairman. This raised the prestige of the Board by bringing it closer to the source of the executive power. But this did not continue for long. Due to urgent preoccupations the Prime Minister

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<sup>23</sup> Ibid., p.6.

could hardly take part in the Board's activities. So in 1958 the Prime Minister relinquished chairmanship of the Board and the Minister of Economic Affairs assumed this charge.

### The National Economic Council

But the Prime Minister continued to function as ex-officio chairman of the National Economic Council. The National Economic Council was established at the end of 1956 in accordance with the Article 149 of the late 1956 constitution. Its duty was to ensure that the country's economic policy fulfilled the social and economic objectives of the constitution.<sup>24</sup> The NEC was responsible for reviewing economic position of the country and for formulating financial, commercial and economic policies in order to ensure uniform economic development of all parts of the country. It was the highest agency for economic policy, planning and programme implementation.<sup>25</sup> The Council consisted of eleven members: five ministers from the central government including the Prime Minister, and six ministers from the two provinces, three from each province.<sup>26</sup> The Chief Minister of the province was one of the three provincial members.

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<sup>24</sup>Asian Recorder, March 2-8, 1957, 1335.

<sup>25</sup>A.M. Haq, op.cit., p.3.

<sup>26</sup>Albert Waterston, op.cit., p.48.



### The Development Working Party

During the middle of the plan period some changes took place in the planning set-up of Pakistan. There were complaints especially from provincial governments to the effect that the Planning Commission had been causing delay in implementation of projects by following time-consuming procedure for approving projects. Consequently, the government abolished the Planning Commission. And in its place was created a Development Working Party empowered with streamlined procedures to approve projects. The Development Working Party consisted of representatives of the Ministry of Economic Affairs, the Ministry of Finance, the Planning Board and the central ministry concerned as well as representatives of the provincial or other authority sponsoring a project. Since the Party's meetings were attended mostly by lower level civil servants who were authorized only to state the position of their organizations the Ministry of Finance refused to accept the Working Party's decisions as final and insisted on making a second review of its own.

The planners of the First Plan emphasized the importance of gathering information on progress of plan effects of development projects on a regular basis. In 1959, a Project Division was created in the President's

Secretariat with responsibility to watch over and report on the execution of projects, to measure performance against estimates, especially cost estimates, to identify causes of delay and difficulties in implementing the projects and to propose appropriate corrective action.<sup>27</sup> The Project Division was headed by a Director General and a Deputy Director-General.

### The Plan and the Budget

The Planning Board favoured the annual development programme as a means of giving effect to the Five Years Plan.<sup>28</sup> The programmes if accepted by the Ministry of Finance were incorporated into the annual central and provincial financial budgets. The Planning Board was frequently able to influence the size and trend of public capital development outlays of the budget. The Minister of Finance always made the final decision. The Planning Board prepared recommendations on the size and composition of the annual development programme for inclusion in the government's budget for 1955/56 and 1956/57. Ministry of Finance accepted many of these

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<sup>27</sup>Ibid., p.59.

<sup>28</sup>The annual development programmes made it possible for the Planning Board to propose allocations of expenditures in conformity with Plan's objectives.

programmes. Yet one can say that there was little co-ordination between the plan and the annual budget during the first two years of the Plan. One obstacle to this was that the Ministry of Finance under pressure from central ministries and provincial governments' had to allot most of the available funds to projects already in progress. But the important factor responsible for such divergence between the Plan and actual budget allocated is the separation of planning function from the budgetary process.

If the Minister's [Finance] estimates indicated that the domestic resources or the foreign exchange available for development purposes would be smaller than had been expected by the planners, he required that the development program be curtailed. . . . More might be granted for non-development uses and less for development than provided in the annual [development] program.<sup>29</sup>

Some public agencies were able to exert more influence than others and succeeded in getting what they wanted, whether or not it was in the Plan.

The [annual] development program thus were honored in the breach as well as in the observance. Priorities were ignored; budget decisions made in June distorted the planning decisions made in May.<sup>30</sup>

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<sup>29</sup>Clair Wilcox, "Pakistan", Planning Economic Development, ed. E.E. Hagen (Illinois: Richard D. Irwin inc., 1963), p.67.

<sup>30</sup>Ibid.

On the third year of the Plan period the National Economic Council strongly stressed the role of annual development programmes in implementing the Plan. Hence the Ministry of Finance made greater effort to relate the Plan to annual development programme to help prepare the capital sections of the financial budgets of the central and provincial governments. Many discussions used to take place on the basis of the annual development programme between the Planning Board and the Ministry of Finance and provincial finance departments. This fact led to closer co-operation between the Planning Board and the Ministry of Finance and co-ordination between the Plan and the annual budget.

## CHAPTER VI

### THE SECOND FIVE YEAR PLAN AND THE PLANNING ORGANIZATION

#### Ayub Regime and Administrative Reforms

In 1958 a new era ushered in Pakistan. On October 7, 1958 martial law was imposed. By an order of the President all cabinets, central and provincial legislative assemblies and all political parties were dissolved. General Mohammad Ayub Khan, Commander-in-chief of the army was appointed by the President as martial law administrator. The President justified his actions by declaring:

For the last two years I have been watching with deepest anxiety the ruthless struggle for power, corruption, the shameful exploitation of our simple, honest, patriotic and industrious masses, the lack of decorum and the prostitution of Islam for political ends . . . . The mentality of the political parties has sunk so low that I am unable any longer to believe that elections will improve the present chaotic internal situation and enable us to form a strong and stable government capable of dealing with innumerable and complex problems facing us to-day.<sup>1</sup>

On October 24 President Mirza named Ayub Khan as Prime Minister to head a twelve-men cabinet. Three days later the situation changed dramatically. President Mirza was forced by the military leaders to hand over all powers to Ayub who then assumed the title of President. The take-over of the administration by the Army is commonly

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<sup>1</sup>Quoted in New York Times, Oct. 8, 1958.

regarded as the turning point in the history of Pakistan. The new Government demonstrated its interest in improving the administration of the country for efficient performance of development activities.

The Ayub administration has indicated determination to break through the vicious circle of poverty and underdevelopment and initiate a positive trend both in per capita income and consumption.<sup>2</sup>

Land reform, the elimination of income tax evasion and black marketing, eradication of corruption among public officials, streamlining of the traditional secretariat organization and procedure received government's major attention.

Important administrative reforms were effected during 1958-60. The ministerial and departmental structure had gone through some improvement, although the ideal arrangement has not been reached.<sup>3</sup> The Ministries of Commerce and Industries were amalgamated and Health, Labour and Social Welfare had been placed to a single Ministry. Some functions were embodied in a self-contained unit as in the Ministry of Works.

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<sup>2</sup>Pakistan's Second Five Year Plan: Background Report (Washington: Embassy of Pakistan, 1961), p. 10.

<sup>3</sup>G. Ahmed, "Changes in the Administrative Organization of the Government of Pakistan Since 1953", Bureaucracy and Development in Pakistan, ed. Inayatullah (Peshawar: Pakistan Academy for Rural Development, 1963), p.156.

In addition to its responsibilities for railways, road transport, posts and tele-communications, the Ministry of Communications had been made responsible for shipping and civil aviation as well. The Ministry of Food and Agriculture was reconstituted and a new Ministry was established to deal with urgent problems of Fuel, Power and Natural Resources. Departments and Divisions had been re-arranged and reorganized in view of the changes at the Ministry level.

Apart from functional redistribution of ministries, it is their internal functioning which had gone through considerable reorganization. Some of the "file passing" which had characterized secretariat procedure was abolished by the replacement of a large number of the subordinate Secretariat staff by "section officer" authorized to make decisions on most matters. The introduction of the section officer system tends to quicken the decision making process.<sup>4</sup> In order to counteract the overcentralization of authority which had been hampering effective functioning, the government adopted a decision to the effect that the central government should deal exclusively with policy matters and should delegate their executive functions to appropriate operating departments.<sup>5</sup>

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<sup>4</sup>Ibid., p.160.

<sup>5</sup>The Second Five Year Plan 1960-65, op.cit., p.112.

The Government has been putting utmost emphasis on decentralization of administration: from the secretariat to the department, from the departments to divisional and district representatives, right down the line. Provincial Reorganization Commission has recommended for decentralization of authority to divisional Commissioners and to district officers. A great deal has been done to in this direction, but much more still needs to be done.

A key proposal of the First Plan was that the exercise of financial controls should be expedited and multiple checks which hold up effective implementation eliminated.<sup>6</sup> In 1959-60 on the recommendation of the central Administrative Reorganization Committee, the Government took a series of decisions of far-reaching importance to reform the system of budgeting and financial controls. One sweeping reform was the abolition of "the inept and dilatory system of multiple clearances" hitherto prescribed for incurring expenditure against appropriate funds. The administrative head of the ministry had been made the principal accounting officer. The ministries were empowered, with some minor limitations, to

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<sup>6</sup>The First Five Year Plan 1955-60, op. cit., p.108.



sanction expenditure within the budget grants without reference to the Ministry of Finance.<sup>7</sup> Thus post-budget scrutiny became the responsibility of administrative ministry and their own financial advisers. The ministries had been provided with financial advisers to advise the former on all financial matters. Although the financial advisers are administratively under the control of the Secretaries of the ministries and the ministers, the latter are required to consult them in financial matters and obtain their concurrence.<sup>8</sup> Thus major handicaps to effective implementation of development were eliminated, and the responsibility for controlling key expenditure was removed from the Ministry of Finance to the administrative ministries. This new authority would provide the ministries with the necessary means for prompt action.

The government made an effort to strike a proper balance between Generalist and Specialist approach in administration. An Economic Pool consisting of officers of the Civil, Audit and Accounts, Customs, Income Tax and Excise Services was constituted to act as permanent staff of the Ministries of Finance, Commerce and Industries.<sup>9</sup> Members of the education and health services

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<sup>7</sup>The Second Five Year Plan 1960-65, op.cit., p. 114.

<sup>8</sup>E.A. Naik, "Budget and Executive Control of Expenditure and the Scheme of Financial Advisers", Perspective in Public Administration (Lahore: Civil Service Academy, 1962), p. 39.

<sup>9</sup>G. Ahmed, op. cit., p. 164.

were assigned to head the ministries of Education and Health. Although this process of "technicalization" of ministries is likely to continue, but over a large area of the administration the generalist's role will still be important.

New institutional facilities were established for the training of civil servants in various aspects of public administration. In addition to two Academies for rural development, an Administrative Staff College and three National Institute of Public Administration were created for in-service training and research particularly in development administration.<sup>10</sup> An Economic Development Institute was established in Karachi to train persons working in government, corporations, financial institutions and private agencies in development economics and economic planning. It is too early to give any judgement on either the quality of their training programmes or the usefulness of their training on the trainees.

The introduction of the institution of Basic Democracies added new dimension to planning in Pakistan. This institution provides the people an opportunity to participate in the political and developmental process

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<sup>10</sup> Pakistan Administrative Staff College patterned after the Administrative Staff College, Henley, England, is situated at Lahore. Three National Institutes of Public Administration are located at Dacca, Lahore and Karachi.

of the country.

The Basic Democracies are a hierarchy of Councils, constituted in part of elected representatives and in part of official appointees, who advise and assist the line administrators, particularly in discharge of their development responsibilities.<sup>11</sup>

The Councils function at the Union, tehsil or thana, district and divisional levels. The Union Councils have been assigned responsibilities to promote agricultural, industrial and community development. The thana or tehsil Councils have been authorized to carryout any of the functions assigned to the Union or district councils; the district councils have been assigned a definite development role particularly in the field of Education, Health, Agriculture, Community Development, Cottage Industry and Social Welfare.<sup>12</sup> The divisional council acts as a co-ordinating unit for lower level councils. The institutions of Basic Democracies are expected to play a crucial role in decentralized development planning and implementation. It is too early to pass any judgement as to how effective the Basic Democracies will be in involving the people at lower levels in planning and implementation.

Basic Democracies will become meaningful only if a measure of local programmes planning and policy formulation rises upward to the points at which governmental decisions are taken.<sup>13</sup>

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<sup>11</sup>Second Five Year Plan 1960-65. op.cit., p.109.

<sup>12</sup>Govt. of Pakistan, The Basic Democracies Order (Karachi: Ministry of Law, 1959).

<sup>13</sup>Second Five Year Plan 1960-65. op. cit., p. 112.

The effect of all these changes on government administration has been most remarkable. The Bankers'

Mission to Pakistan observed

until the present Government came into power, a succession of Government had made only halting progress towards developing a more viable pattern in the country . . . the new Government has succeeded in restoring confidence. We are impressed by the enlightened leadership which the present Government is bringing to bear on the problems of economic policy and development.<sup>14</sup>

Public administration was materially stronger at the commencement of the Second Plan than it was at the beginning of the First.

#### Preparation of the Second Plan

The work on the Second Plan started in 1958. Experience gained during the First Plan provided a useful background for the Second Plan. Harvard Advisory Group continued its assistance to the Planning Commission in preparing the Five Year Plan. The economic and social objectives of Pakistan are long-range goals. These objectives were narrated in the First Plan and have also appeared in the Second Plan.

The nation aspires to a standard of living for all its people as high as can be achieved with the resources available to it; equitable distribution of wealth, education of all of accordance with their

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<sup>14</sup>IBRD, Bankers' Mission to India and Pakistan  
(Washington: Feb.-March, 1960), pp. 4-5.

talents; victory over disease, adequate facilities for transport and communication; and evolution of the national culture.<sup>15</sup>

The Second Five Year Plan represents Government's determined effort to push the country as far as possible, during the next five years, along the road of these long-range objectives.

#### The Plan's Size and Provisions

Unlike the First Plan, the Second Plan was duly approved and it went into operation in June 1960. The Plan envisaged a development expenditure of Rs. 19,000 million and it was expected that GNP would increase 20 percent and 2.6 million new jobs would be available.<sup>16</sup> But soon the Plan had to be revised because of underestimation of the rate of increase in population and faulty project formulation. When the population census of 1961 was out the planners discovered that they had underestimated both the current level and past rate of increase in population and labour force. The revised projection put the population increase during the Second Plan period at 11 percent instead of 9 percent. Consequently, in June 1961, the Plan size was revised to 23,000 million and it was expected to increase the GNP by 24 percent

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<sup>15</sup>The Second Five Year Plan 1960-65. op. cit..  
p.1.

<sup>16</sup>M. Haq, The Strategy of Economic Planning  
(Lahore: Oxford University Press, 1963), pp. 173-74.

instead of 20 percent over the five-year period of the Plan.<sup>17</sup> Of rupees 23,000 million, 12,401 million were to be spent in the public sector, rupees 3,794 million in the semi-public and rupees 6,805 million in the private.<sup>18</sup> In other words, about 40 percent of the total plan outlays was to be in the private sector of the economy, and 60 percent in the public sector. Table 4 shows the sectoral allocation of expenditure under the Second Five Year Plan.

Irrigation, flood control, power, transport and communications were given prominence in the Plan. To determine priorities for the allocation of available resources the main objective was to attain the planned increase in national income. Planners also sought to accelerate the economic growth of least developed areas of the country. Attainment of self-sufficiency in food was another important consideration in the allocation of resources between the major sectors of the economy. The Second Plan allocated 24 percent of the total investment funds to agriculture and irrigation, 26 percent to industries, fuels and minerals and the rest 50 percent to the creation of economic and social overheads.<sup>19</sup>

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<sup>17</sup>Ibid., p. 174.

<sup>18</sup>Govt. of Pakistan, High-Lights of the Second Five Year Plan 1960-65 (Rawalpindi: Dept. of Films and Publications, 1962), p. 8.

<sup>19</sup>M. Haq, op. cit., p. 175.

TABLE 4

ALLOCATION OF EXPENDITURE IN VARIOUS SECTORS<sup>a</sup>  
(Million Rupees)

| Sector                        | Public | Semi-public<br>Contribu-<br>tions<br>from the<br>Govt. | Private<br>invest-<br>ments &<br>loans | Private | Total  |
|-------------------------------|--------|--|--|---------|--------|
| Agriculture                   | 2,515  | -  | -                                      | 905     | 3,420  |
| Water & Power                 | 4,140  | -  | 190                                    | 60      | 4,390  |
| Industry                      | 100    | 1,360  | 575                                    | 3,085   | 5,120  |
| Fuels & Minerals              | 179    | 271  | -                                      | 550     | 1,000  |
| Transport &<br>Communications | 2,612  | 113  | 420                                    | 905     | 4,050  |
| Housing &<br>Settlement       | 1,410  | 475  | 390                                    | 1,135   | 3,410  |
| Education &<br>Training       | 955    | -  | -                                      | 100     | 1,055  |
| Health                        | 370    | -  | -                                      | 50      | 420    |
| Social Services               | 85     | -  | -                                      | 15      | 100    |
| Manpower &<br>Employment      | 35     | -  | -                                      | -       | 35     |
|                               | 12,401 | 2,219  | 1,575                                  | 6,805   | 23,000 |
|                               |        |  | 3,794                                  |         |        |

<sup>a</sup> Source: High-Lights of the Second Five Year Plan, 1960-65, Prepared by the Economic Adviser to the Government of Pakistan, Ministry of Finance, Produced by the Department of Films and Publications, Ministry of National Reconstruction and Information, Government of Pakistan, 1962, Rawalpindi, p.9.

Review of the Second Plan's Results

The completion of the Second Five Year Plan in June 1965 constitutes a landmark in Pakistan's brief economic history. A faltering economy has been turned into "one beginning to grow at an encouraging rate with promising prospects for continued advance".<sup>20</sup> The most important target of the Second Plan was to raise the Gross National Product by 24 percent. According to the Interim Report of the National Income Commission, the increase in GNP during the first four years of the Plan was 23 percent.<sup>21</sup> One of the most great achievements of the Second Plan had been the sharp acceleration in the rate of economic development in East Pakistan. For the first time since Independence the economy of East Pakistan grew at a rate faster than West Pakistan. Preliminary estimates reveal that the rate of growth in East Pakistan has been 5.9 percent and that of West Pakistan about 5 percent.<sup>22</sup> An important target of the Second Plan was to raise food production by 20 percent. This target had nearly been achieved.<sup>23</sup> The installed

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<sup>20</sup>A. Waterston, Planning in Pakistan (Baltimore: The John Hopkins Press, 1963), p. 1.

<sup>21</sup>Second Five Year Plan, Targets and Achievements (Rawalpindi: Dept. of Films and Publications, 1965), p.1.

<sup>22</sup>Ibid., p.2.

<sup>23</sup>M. Haq, op. cit., p. 190.



power-generating capacity increased by 30 percent. The physical achievement in other sectors of the Plan had been generally up to expectation. The overall achievement of the Plan can be described as fairly satisfactory.

### Planning Machinery Gains Ground

#### The Planning Commission

The regime of Ayub Khan must be credited for the success of the Second Plan. Because the revolutionary regime

had restored political stability in the country, . . . continuous increases in the price level were brought under control and a measure of financial discipline imposed on the economy. The administrative structure was toned up, the institutional arrangements improved and system of planning built into the whole fabric of society.<sup>24</sup>

In the first few weeks of its tenure, the new regime which took over power in October, 1958 quickly demonstrated its interest in planning. The Government under the leadership of President Ayub set out to overhaul the planning machinery in order to make it more effective. The new regime strengthened the central planning organization and enlarged its functions. The Planning Board

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<sup>24</sup>M. Haq, ibid., p. 173.

was renamed the Planning Commission and made responsible to the Chief Executive - President. The Ministry of Economic Affairs was abolished and its functions (planning, progress reporting) were transferred to the Planning Commission. The Planning Commission's authority became much greater than its predecessor's. Following functions were assigned to the Planning Commission:<sup>25</sup>

- To prepare a plan for economic and social development;
- To prepare the annual development programme within the framework of the national plan and to propose allocation of resources;
- To render such technical advice and offer such comments on financial matters bearing on development plan as may be requested by the ministries of Government;
- To stimulate and where necessary initiate the preparation of development programmes and projects; to examine and advice on all such programmes and projects with a view to deciding whether these conform to national objectives, whether they contemplate the most efficient use of national resources;
- To recommend such adjustments in the national plan as may be necessary in view of the changing economic situation;

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<sup>25</sup>The Second Five Year Plan, op. cit., p. 107.

- To co-ordinate the examination of development programme and projects in consultation with the appropriate authorities and to secure the approval of the central government to acceptable programmes and projects;
- To advise on the nature of the machinery for securing the efficient execution of the national plan;
- To advise on important economic policies and problems in various fields;
- To undertake and promote economic research and to initiate surveys and investigations.

In August 1961, the Government abolished the Projects Division. Its staff and functions were amalgamated with those of the Planning Commission and the Planning Commission was made a Division of the President's Secretariat. The President of Pakistan became its chairman and Minister-in-charge. A top civil servant was appointed as its Deputy chairman with the rank of a minister having no cabinet membership. The purpose of all these changes was

to reinforce the obligation of the ministries and departments to conform to the Plan and to promote a greater amount of co-operation between them and the Planning Commission.<sup>26</sup>

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<sup>26</sup>A. Waterston, op. cit., p.77.

The Planning Commission had two wings: Planning wing and Programming wing. Commission's planning functions were entrusted to the planning wing. Functions previously performed by Projects Division were assigned to the programming wing. Each wing was under a Secretary of Government who was also an ex-officio member of the Commission. Besides the chairman, Deputy-chairman, and the two Secretaries, the Commission also included two other members - one member from each province. The Commission worked under the direct supervision of the President who is its chairman. After some time the Government found it desirable to transfer the progressing function to the provincial planning organization. So the progressing wing of the Planning Commission was abolished when its functions were transferred to the provinces. Chart I included in the Appendix shows the organizational arrangement of the Planning Commission.

#### The Economic Council and the National Economic Council

In 1959, the military government created an Economic Council which was then regarded as the country's supreme economic advisory body. The Council was composed of twelve (12) members including the President of Pakistan, who was its chairman. Other members included were the Governors of the two provinces; the five ministers of

the central government (Finance, Industries and Works, Irrigation and Power, Railways and Communications, Commerce, Food and Agriculture); the Deputy chairman of the Planning Commission; chairmen of Pakistan Industrial Development Corporations and the two provincial Water and Power Development Authorities. The Council was responsible for reviewing and formulating economic policies, approving five year plans, annual development programmes, to ensure the achievement of balanced economic development of all parts of the country. In keeping with the government's policy of granting greater authority to the Commission, its Deputy chairman was made Secretary of the Economic Council. It was also decided by the Government that memoranda for the Council's consideration should be prepared by, or in consultation with, the Planning Commission. After the adoption of the new constitution of 1962, the name of the Economic Council was changed to the National Economic Council and the Provincial Finance Ministers were included in it as members. These changes were made to fulfil certain provisions of the new constitution. The Planning Commission acted as NEC's Secretariat.

#### The Economic Committee of the Cabinet and Its Successors

When the Economic Council was created in 1959, the government also created another organization named

Economic Committee of the cabinet. The Economic Committee of the cabinet consisted of seven members including the Finance Minister, who was its chairman. Other remaining members were the ministers of Food and Agriculture; Industries and Works; Irrigation and Power; Commerce; Information and Broadcasting; the Deputy chairman of the Planning Commission; and the chairman of the PIDC. It was made responsible for making day-to-day decisions on economic problems, supervising the implementation of economic policies approved by the cabinet and NEC and approving development projects prior to their submission to the NEC. The Economic Committee of the Cabinet (E.E.C.) had no representatives from the provinces. Although provincial representatives could participate in the meetings of the EEC, they had no right to vote.

When the Economic Council was reconstituted as the National Economic Council, the EEC was abolished. Its functions were distributed among two newly created Committees of the National Economic Council. The two Committees are the Executive Committee of the NEC and the Economic Policy Co-ordination Committee. The former is made responsible for sanctioning development schemes, making day-to-day decisions on economic problems and for supervising the implementation of the economic policies laid down by the cabinet and the NEC.<sup>27</sup> The Committee

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<sup>27</sup>Govt. of Pakistan, Notification No. M.105(7)/62 (Rawalpindi: President's Secretariat, 16th May, 1963).

usually meets twice a month in both East and West Pakistan. The central Minister of Finance heads the Committee. Other members of the Committee are two provincial governors or their nominees, Deputy chairman of the Planning Commission and Finance ministers of the two provinces.

The members of the Economic Policy Co-ordination Committee (E.P.C.C.) include the Deputy chairman of the Planning Commission, who was its chairman; the Secretary of the Economic Affairs Division of the President's Secretariat, the secretaries of the central ministries of Finance, Commerce, Industries and National Resources and Food and Agriculture. The Economic Policy Co-ordination Committee was given authority for co-ordination of economic policy of the central Government, keeping the current economic situation under constant review and watching the implementation of the economic policy laid down by the cabinet and the NEC.

#### The Governors' Conference

Since the early days of the military government there had been regular Governors' Conference held every month or two, often in conjunction with meetings of the National Economic Council. Organization for planning also includes this Governors' Conference. This is con-

sidered as the highest policy making body in the country.<sup>28</sup> The President of Pakistan is its chairman. Two provincial Governors are its other members. The Governors' conferences are usually attended by ministers and other officials of the central and provincial Governments as required. The Governors' Conference takes decision on administrative and other policy matters. Chart II in the Appendix shows the position of central planning in over-all administration (central) of Pakistan.

#### The Plan and the Budget

The government took much interest in implementing the Second Plan. When the Economic Council (now called the National Economic Council) approved the Second Plan it appointed one study group to consider the desirability of establishing special organization for implementing the Plan. The study Group suggested that no new special machinery was needed.<sup>29</sup> The Group observed that the existing organization was sufficient to meet the needs provided they were utilized effectively. The Group considered the annual development programme as the most practical and effective instrument for implementing

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<sup>28</sup> NEC is the supreme economic policy making body in Pakistan.

<sup>29</sup> A. Waterston, op.cit., p. 109.



the Plan. The cabinet also agreed with these views of the Group. And a decision was passed in the cabinet to the effect that the execution of the Second Plan would be carried out through annual development programmes. No development projects would be included in the budget unless it has gone through all planning processes and forms a part of the annual development programme. An office memorandum on system of financial control and budgeting circulated by the Ministry of Finance gives a detail picture regarding relationship between budgeting and Plan and between the Planning Commission and the Ministry of Finance.<sup>30</sup>

From above discussion it appears that an effective relationship has been established between the annual development programme and the budget. And it facilitates implementation of the Plan. Nevertheless, in the first year of the Second Plan, the budget deviated substantially from the annual development programme, but in subsequent years budgets have come closer to the allocations and priorities set up in the annual development programmes.<sup>31</sup>

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<sup>30</sup>For the relevant text of the memorandum see Appendix III.

<sup>31</sup>A. Waterston, op. cit., p.110.

## CHAPTER VII

### EVALUATION AND CONCLUSION

Pakistan's planning history to-date has been characterized by a movement away from a project-by-project approach limited to the public sector toward more comprehensive and aggregative planning encompassing the entire economy.<sup>1</sup>

Four distinct phases are discernible in Pakistan's brief economic history. The first phase was the struggle for survival; the country had hardly any industry, trained administrators and government machinery. Pakistan had to start from scratch. The new state was primarily engaged in establishing government apparatus, communications and rehabilitation of millions of refugees. There was little effort to plan on a broad scale. The government allocated resources to those projects which the former considered necessary for the country.

The second phase began in 1951 when Pakistan embarked upon formulating plan for development. The Six Year Development Programme and the Two Year Priority Programme are examples of Pakistan's early planning efforts. But these programmes were far from being a plan. In fact, they were "little more than a package of uncoordinated public investment projects collected on an

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<sup>1</sup>A. Waterston, Planning in Pakistan (Baltimore: The Johns Hopkins Press, 1963), p.138.

ad hoc basis without reference to available resources and the economy's requirements".<sup>2</sup> But it was perhaps inevitable in view of the lack of basic statistical data for planning and the short time given to prepare the plan. The principal aim of the Government in formulating the Six Year Development Programme was to make out a case for foreign aid. This objective was largely realized.

The third phase began with the launching of the First Five Year Plan (1955-60) - which was the nation's first attempt to formulate a comprehensive and integrated national development programme. Although the First Plan made a much sophisticated and pragmatic approach to planning, still it suffers from many defects. According to Hirschman,

'good planning' means simply to have studied and prepared thoroughly a given project, that is, to have ascertained whether it corresponds to a real need, whether proper engineering and market studies have been made, whether full financing has been assured so that it will not remain half completed for years, and whether alternative ways of filling the same need have been explored and rejected for good reasons.<sup>3</sup>

Judged in the light of this test, the First Plan was very unsatisfactory. The Draft Report of the First Plan

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<sup>2</sup>Ibid., p.139.

<sup>3</sup>A. Hirschman, "Economics and Investment Planning: Reflections Based on Experience in Columbia", Investment Criteria and Economic Growth (Bombay: Asia Publishing House, 1961), pp.38-39.

did not indicate what techniques the Planning Board had adopted while formulating the Plan. It is not clear how the over-all targets were determined and how the consistency of aggregate targets with the sectoral targets was tested, as one would expect from any scientific programme of economic activities.<sup>4</sup> Nevertheless, the First Plan must be credited for generating encouraging growth potentials by building up economic and social overheads. The Plan targets were achieved in a number of sectors, notably in the development of industries, water and power resources, railways, ports and communications. The First Plan may be regarded as a primer on planning, it contained detailed recommendations for the administrative machinery, training efforts, and national policies required for the programmes to succeed. In fine, the First Plan generated an increasing awareness of the importance of planning.

The first decade of Pakistan's eventful history demonstrated the typical growing pains of an expanding economy slowly emerging out of economic stagnation. During the period the country experienced a series of political upheavals and natural catastrophies rendering the task of economic development more difficult than

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<sup>4</sup>A.M. Haq, "Reflections on Economic Planning in Pakistan", Far Eastern Survey, Vol. 27 (Jan. 27, 1958), p.3

otherwise would have been.<sup>5</sup> However, as an observer puts it,

there is no facile solution for the country's problems of economic development and welfare, but the fact that the nation has survived in the face of overwhelming odds is significant. A less hardy people would never have endured till now.<sup>6</sup>

With the Second Five Year Plan (1960-65) commences the fourth phase of Pakistan's economic history. The framers of the Second Plan adopted the same pragmatic approach in preparing the Plan. But the Plan suffered from same defects which made the First Plan defective. But the decisive fact which differentiates the present phase from the previous one is the present Government's unfailing commitment to the Plan. Pakistan's planning experience demonstrates that effective plan implementation is only possible with Government's firm and constant support. Without political support operation of the planning body becomes ineffectual. The history of First Five Year Plan which for the major part of its life never received the Government's unqualified support, confirms the validity of this conclusion. Political

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<sup>5</sup>A.M. Haq, "Pakistan's Economic Development", Pacific Affairs, Vol. 32, No.2 (June, 1959), p.144.

<sup>6</sup>John Owen, "The Flight of Pakistan", Contemporary Review, Vol. 195 (May, 1959), p.293.

leaders were too immersed in political issues with little time to devote to carry out administrative, organizational, land reforms which the First Plan required for its successful implementation. In sharp contrast to this, planning and economic development have become the principal objective of the present political leaders in the government.

Pakistan's experience further reveals that Governmental commitment to planning is easier to secure in a milieu of political stability than in one marked by constant flux. One general handicap in preparation of the First Plan which greatly strained the work of the Planning Board for the first three years of its existence was the prevailing political instability and uncertainty. The constitution of the country was being evolved, and till March 1956 this process was not finalized. In October 1955, the former provinces and states of Pakistan were merged into one Unit. From March 1954 East Pakistan also went through rapid political changes. The tussle over the constitution and political instability in the country exacerbated the inherent problems of plan formulation.

The bewildering rapidity with which Government changed not only prevented ministers from being acquainted with their predecessor's policies, but severely strained the administrative services which could otherwise have provided the continuity necessary for planning. It is frankly admitted that the First Plan had to cut

down not because its proportions were too large, but because of delays in implementation.<sup>7</sup>

The fact that the First Plan was not released till May 1955 was due to the insistence of the then Prime Minister to postpone its release till the announcement of the constitution. With the political stability and dynamic leadership provided by the Ayub regime, planning in Pakistan gained momentum and the Second Plan achieved most of its objectives.

What meets the eye at first sight, and which can be described as the signal achievement of the Second Plan, is ending the economic stagnation which the country was experiencing in many spheres.<sup>8</sup>

Pakistan case proves that what is indispensable for the successful functioning of a plan and of the planning agency is the existence of a strong and stable Government headed by a broad-based leadership capable of securing a broad-agreement and support for planning in all sections of society.

One of the main features of Pakistan's planning is that its development plans do not aim at any basic structural reorganization of society. As the framers of the First Plan put it

Our social and economic policy should be to promote a process by which men in the lower scale of living are raised up; a process of levelling up; instead of

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<sup>7</sup>"Pakistan's Bootstraps". The Economist, vol.188 (Sept. 6, 1958), p.766.

<sup>8</sup>Govt. of Pakistan, Pakistan: 1963-64 (Karachi: Pakistan Publications, n.d.), p.71.

levelling down . . . . Inequalities of income and wealth, if they reflect the inequalities of personal talents and of capacity for service . . . are desirable within reasonable limits.<sup>9</sup>

In regard to industrial incomes it is accepted that socially purposeless inequalities were generated in the early stages of industrialization. It is also recognized by the planners that the businessmen extort an unduly high price for their service. But the planners considered socially useful this high income as a form of capital formation.

The First Plan has stated in detail the broad objectives of planning in Pakistan; the Second Plan simply restates briefly these objectives with a few significant shifts in emphasis. Such social goals as social security, free education, economic welfare of the people, distribution of national wealth, etc. have been emphasized. Also quoted in the Plan are such Islamic objectives as the elimination of riba and the prohibition of alcoholic drinks. In brief it may be stated that Pakistan's development plans while stating some of the commonplace social objectives, do not bind down the policies to any preconceived social goal. This offers a contrast with the acceptance of socialism as the goal

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<sup>9</sup>The First Five Year Plan 1955-60., op.cit., p.4.



of Indian planning. In Pakistan, neither an exclusively capitalist nor an exclusively socialist economy is postulated. No doctrinaire assumptions underline Pakistan's development plans; the approach throughout is pragmatic. Although Islam is a catchword in Pakistan, the compelling consideration in planning is economic growth and the goal is securing modernized and self-sustaining economy. Thus modernization of the economy, without any doctrinaire goals, may be regarded as the general objective of economic planning in Pakistan.

Although economic controls are inherent in national planning, but it is the essence of pragmatic planning to discover, through trial and error, which particular set of controls suits a particular country. In Pakistan there has been a tendency to adopt direct, administrative controls as instruments of national planning. For a long time direct controls have been the main instruments for guiding the allocation of resources in the private sector.<sup>10</sup>

In fact, there was hardly any private activity that did not involve getting a permit or sanction from some government department or the other. But since 1960

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<sup>10</sup> All investment projects (private) costing Rs. 100,000 or more have to be examined by a capital issue committee which holds the authority of either reducing the size of investment or rejecting it totally.

Distribution of key construction materials like steel, cement are also under government control. There are price and profit controls on a large number of commodities.

there has been a general gradual relaxation of direct controls. Pakistan has been trying to evolve indirect fiscal controls in place of its direct administrative controls. The Second Plan has placed greater reliance on the market mechanism and fiscal and monetary policies. Thus Government's policies indicate a change from direct controls to regulation and a decrease in intervention.

This policy conforms to Pakistani leaders political philosophy which gives great stress on private enterprise. Framers of the Second Plan believed in the efficacy of 'economic liberalism' in development, though as such nowhere in the First or Second Plan is it mentioned as an ideal. The Second Plan has recommended the removal of controls which have a strangulating effect on private initiative. Government's view with regard to the role of the private sector has been succinctly expressed in the Second Plan:

It is a basic assumption of the plan that for the implementation of the industrial development programme, reliance will be placed primarily on private enterprise. This assumption has been made not so much to reduce the burden on public finance as in recognition of the fact that private industry has a key role to play in the economic development of the country.<sup>11</sup>

Compared with the First Plan, the relatively small allocation to industry in the public and semi-public sectors

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<sup>11</sup>The Second Five Year Plan 1960-65, op.cit., p.226.

in the Second Plan reflects the planners' above intention.

Although planning in Pakistan so far is not influenced by any doctrinaire assumption, but the planners and political leaders recently have been emphasizing private enterprise and private initiative so much so that "it is not impossible that in rejecting the 'dogmas' and 'doctrinaire philosophy', Pakistan may get involved in a dogma itself - the dogma of private initiative and economic liberalism".<sup>12</sup>

Though the role of the private enterprise has been emphasized, yet the government has to play a larger role in the development of Pakistan. The government - not by choice but by necessity - has to participate and intervene in the economy to supplement private initiative and to correct market results. In Pakistan, the Government has stepped only into those economic activities where private capital was shy and where private entrepreneurs lacked managerial and technical know-how. Industries have been established by the public corporation (PIDC). And when they began to earn profit many of

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<sup>12</sup>Sisir K. Gupta, "Some Aspects of Pakistani Planning", India Quarterly, vol. 10, no. 2 (April-June, 1962), p.133.

them were sold to the private businessmen. Thus the main purpose of Government's participation and intervention in the economic field is to supplement private efforts not to displace private initiative. The Government is largely concerned with the promotion of industries rather than ownership of industries.

There has been a tendency in Pakistan to employ semi-autonomous Statutory Corporations for special tasks. A large number of development corporations have been set up by the Government to promote development. The type of enterprise adopted is usually a copy of the West; the British public corporation, the 'mixed' enterprise of Western Europe and the Tennessee Valley Authority type. There is a danger of the excess of its use in Pakistan since the Government tend to create such institutions for the fulfilment of almost every new need. But it is important to follow certain basic principles that ought to govern the establishment of development corporations.

A.H. Hanson mentions such three basic principles. These are:<sup>13</sup>

- (1) that the corporations form of organization should be strictly limited to those institutions which require for business purposes, the degree of autonomy which it is supposed to confer;

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<sup>13</sup>A.H. Hanson, "Public Authorities in Underdeveloped Countries", Public Administration Practices and Perspectives, vol.1,no.2 (September, 1962), p.10.

- (2) that where a new function can be conveniently added to the existing functions of an established agency, this should be preferred to the creation of a new agency;
- (3) that the attempt should be made, when sub-dividing development functions, to form a series of 'coherent mission' as Paul Appleby calls them, through the clear delimitation of responsibilities and the avoidance of unnecessary duplication and overlapping.

An examination of Government notifications promulgating the setting up of different development corporations in Pakistan reveals that the public corporations are subjected to detailed government control of their personnel, investment, price policies as well as their financial investment.<sup>14</sup> Reasons for this tight control are to secure accountability and to check corruption and mismanagement. The corporations do not enjoy the autonomy which they should; form therefore should not be confused with essence. But autonomy, as Galbraith puts it, "does not mean less

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<sup>14</sup>For example, in East Pakistan Industrial Development Corporation (EPIDC), government's approval is necessary for matters like approval of annual budgets, development schemes, financing arrangements, the terms of sale of EPIDC projects to private parties. See Govt. of Pakistan, Ministry of Industries, Ordinance No. XXXVII of 1962, The Gazette of Pakistan, Extraordinary, June 4, 1962.

public accountability. If anything it means more - but it is accountability not for method, procedure or individual action but for results".<sup>15</sup>

The importance of the corporation type agencies differs from country to country depending on the economic policy of the country. For example, India which is aiming at a socialist pattern of society prefer to keep the key industries like steel, and machine-tool, etc. in the public sector. As such the Indian National Industrial Development Corporation was intended to behave as a "gap filler". Pakistan, on the contrary, prefers to retain as few enterprises in the public sector as possible. Therefore, East and West Pakistan Development Corporations are interested in the short term problem of promoting industries which are usually handed over to the private entrepreneurs after a few years of operation - after the plants proved to be successful.

Today Pakistan can claim some credit for developing an effective planning organization for country's economic and social development. Planning organization in Pakistan has passed through many vicissitudes and ups and downs. The Planning Commission and other planning agencies are now regarded as one of the most important parts of the

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<sup>15</sup>J.K. Galbraith, "Public Administration and the Public Corporation", The Indian Journal of Public Administration, vol.VII, no:4 (Oct.-Dec.,1961),p.466.

Government. The Planning Commission gained much status and importance when it came under the President's Secretariat. Its present close proximity to the Chief Executive (President of Pakistan) has increased its effectiveness greatly.

The Planning Commission now enjoys immense powers and authority. The central ministries and provincial governments now have to obtain Planning Commission's clearance before presenting to the NEC or its Executive Committee, the Governors' Conference or the central cabinet any new policy proposal of major economic significance. The two provincial governments which share responsibility for economic planning with the centre have to clear their annual and five year development plans with the Commission. The Commission is also the pivot of the Central Development Working Party which has been assigned the responsibility of reviewing and recommending for approval to the Executive Committee of NEC all development projects involving Rs. 5 million or above. The Planning Commission does indeed occupy a very powerful position in the administrative hierarchy.

The Planning Commission through its participation in different government high level bodies influences the formulation of economic policy and co-ordination of economic policy with planning objectives and implemen-

tation of development plans. As a matter of fact, the Commission is now represented in almost all important government bodies concerned with economic matters. The Deputy chairman of the Planning Commission participates in Cabinet meetings. He also attends the meetings of the National Economic Council and its Executive Committee as its member. The central Development Working Party is headed by the Secretary of the Planning Division. He also acts as Secretary to the NEC. He is also a member of the foreign exchange control committee.

Thus the Government of Pakistan after initial falter has been able to establish certain uniformity between plans and economic and financial policies. Planning becomes useless unless direct and positive steps are taken to put it into effect. The most practical way to do so is to relate the plan with basic economic, financial and fiscal policies. By providing opportunity to the Planning Commission to participate in all top level government bodies and by granting it authority to formulate the annual development programme and its incorporation in the annual financial budget have increased effectiveness of planning and contributed towards fulfilment of plan objectives.

Although the Planning Commission now enjoys great authority and high status, it suffers from other



defects. It is faced with many internal problems. For Example, it has been operating without adequate Pakistani qualified professional staff. One of the salient features of Pakistan's planning experience is the dependence of the central planning organization on foreign technical advisers. The Harvard advisory group has been playing a significant role in Pakistan's planning efforts. Upto 1964 Pakistan received services of a total of 56 advisers and 26 consultants.<sup>16</sup> The advisory group came to Pakistan to help in preparing its five year plan and establishing an effective planning agency. But the Group remained busy most of the time in preparing the five year plan. As a result it has failed to build up a central planning agency with a self-sustaining professional staff. Pakistan will have to depend on services of foreign technical advisers for some more years.

One big shortfall in Pakistan's planning has been the absence of a long-term perspective plan for development. Lack of such a perspective plan makes it difficult to visualize the structural transformation necessary to facilitate rapid growth. In certain areas like educational policy, manpower planning, water and electric

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<sup>16</sup>Ford Foundation, Design for Pakistan, op.cit., p. 13.

development, it is absolutely essential to think in terms of 20-25 years perspective. Task of planning becomes easier when a five year development plan is prepared against a long-term perspective. Many of the conflicts which arise in a short term plan resolve themselves when viewed on a long-time scale. The Planning Commission realizing its importance set out to prepare a long-term perspective plan.<sup>17</sup> Pakistan's Third Five Year Plan has been prepared based on a perspective plan.

Planning in Pakistan has been too much the work of economists and civil servants. The quality of Pakistan's planning would have been improved, if better insights were available about the sociological landscape of the country. Since motivational changes play a crucial role in the economic transformation of a society, the staff of the central planning should include some highly qualified sociologists and social psychologists.

The powerful position of the Planning Commission and its active association with policy-making has led to certain problems. The process of planning has sometimes become involved with politics of planning; and this has restrained the Commission staff in giving independent expert advice free from political overtones.

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<sup>17</sup>Pakistan's Perspective Plan is being prepared to cover a period of 20 years, from 1965-1985.

Although this is a very real problem, nevertheless it would be a mistake to reduce the Commission to purely an advisory body devoid of any responsibility for formulating economic development decisions and with no access to economic policy-making bodies. In the context of Pakistan, this will lead to ineffectiveness of planning apart from making it incoherent.

Pakistan's experience reveals the difficulty of transforming a traditional administration into a modern governmental organization capable of promoting a country's welfare and development; the related inadequacy of a corps of top officials entirely consisted of "generalists" to cope with development problems requiring special technical knowledge. Important lessons to be learned from Pakistan's planning experience are the disadvantage of establishing a planning agency on a temporary basis; inhibiting effect on a central planning agency of low salary scales and archaic personnel policies; the necessity for locating the national planning agency near the centre of political power; the undesirability of linking planning with operational functions; the necessity for relating planning and policy-making functions; and finally, the desirability of tying long-term plans to budget through annual development programme.

Through planning, Pakistan has sought to create an instrument for making wise decisions whereby a nation builds up its capacity to progress. It is established that public administration can be a powerful agent in initiating, promoting and guiding development of a country. Although Pakistan is one of the first developing countries in Asia to awaken in its people a belief in their own power to create a better society, but the drive for human renewal has become a world wide phenomenon.

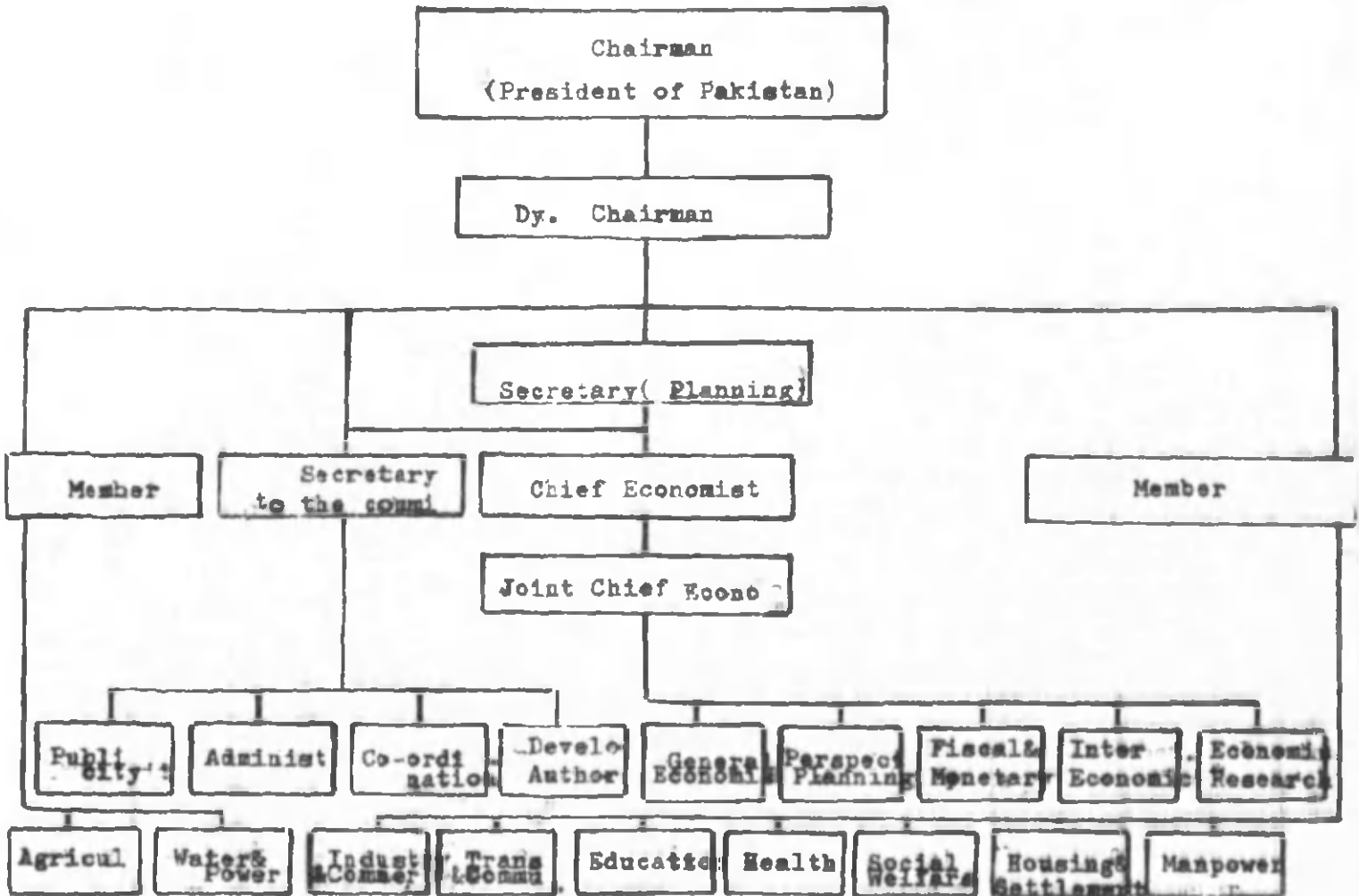
In what history will surely record as one of the greatest movements of all time, scores of nations in Asia, Africa, the Middle East, and Latin America are seeking means of putting their resources to work - not to spin Utopias, but to bring millions of people into the mainstream of modern existence. <sup>18</sup> have enough to eat and wear, adequate shelter.<sup>18</sup>

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<sup>18</sup>Ford Foundation, Design for Pakistan, op.cit., pp. 34-35.

APPENDIX I  
Org Chart.

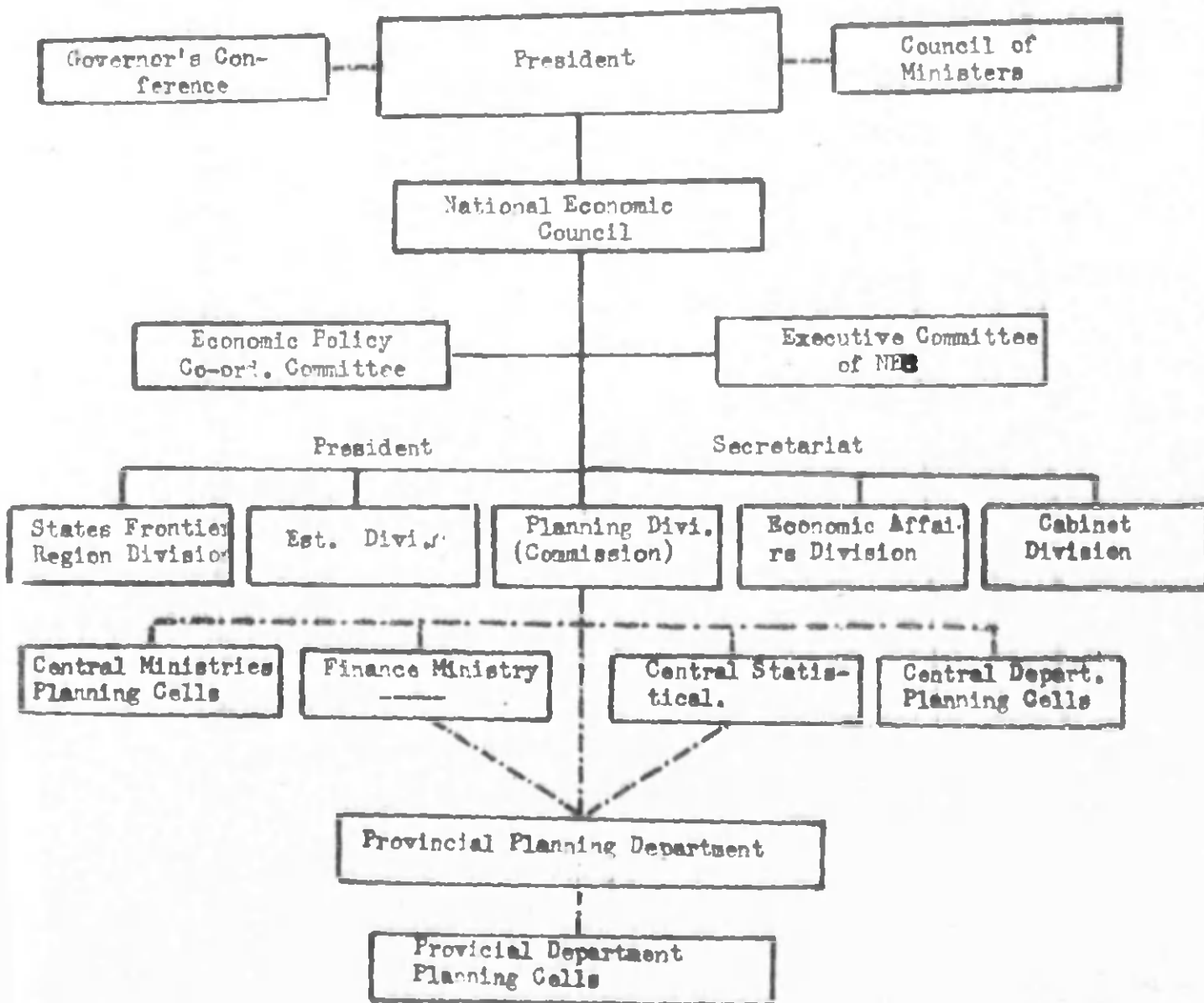
Planning Commission (Division)  
President's Secretariat



Source: Albert Waterston, Planning in Pakistan  
Baltimore: The Johns Hopkins Press, 1963, p.80.

APPENDIX II

ORGANIZATION FOR ECONOMIC PLANNING IN PAKISTAN.



- Solid lines show direct supervisory relationship.

- - - Broken line show functional advisory relationship.

Source: Ford Foundation, Design for Pakistan  
(New York: 1965), p.24.

APPENDIX III

OFFICE MEMORANDUM, Nov. 1(40) Adm (RWP)/60, Rawalpindi,  
June, 30, 1961, Ministry of Finance, Government of Pakistan.

In respect of development projects, the Ministry of Finance shall, in accordance with the time table laid down for the preparation of the annual development programme, give to the Planning Commission, the first indication of the resources likely to be available by the first of September, the second indication by the 30th of November, and the final indication by the 15th of February, each year.

The Ministries/Divisions shall submit their annual development programmes to the Planning Commission by the 30th September each year. The budget estimates relating to the schemes approved by the Development Working Party shall be submitted to the Ministry of Finance by the 20th December. The annual development programme shall be submitted to the Economic Council (NEC) by the 15th of April.

Only such development projects shall be included in the annual development programme as have been examined by the Development Working Party in every detail. If it is not possible to have a particular scheme so examined in time for inclusion in the annual development programme, the case shall be submitted to the minister concerned, and the minister is of the view that the scheme provides sufficient details or that there are circumstances which

necessitate its inclusion in the annual development programme, he shall take up the matter with the Minister of Finance. On an agreement being reached between the Minister of Finance and Minister concerned the scheme shall be included in the annual development programme.



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