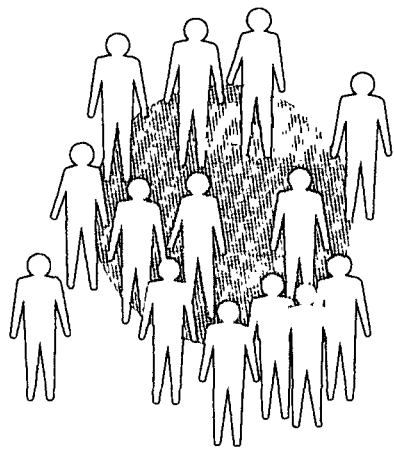
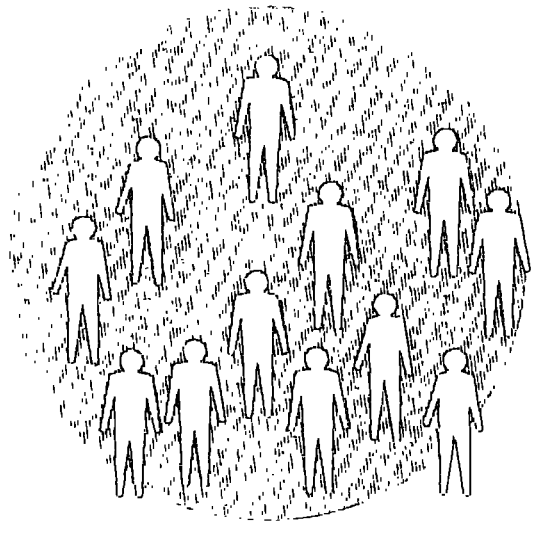


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Planning in Pakistan

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BY ALBERT WATERSTON

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THE ECONOMIC DEVELOPMENT INSTITUTE
International Bank for Reconstruction and Development

Return to BRDC, 18-203

PLANNING IN PAKISTAN

Organization and Implementation

by Albert Waterston

assisted by

C. J. Martin and Fritz A. Steuber

THE ECONOMIC DEVELOPMENT INSTITUTE

International Bank for
Reconstruction and Development

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Foreword

By the Director of the Economic Development Institute

THIS IS THE FIFTH PUBLICATION of the Economic Development Institute. The Institute was established in 1955 by the International Bank for Reconstruction and Development. Its objective is to improve the quality of economic management in government in the less developed countries. At the Institute, senior officials of member governments of the Bank are given an opportunity to study and discuss the practical problems facing them as administrators as well as the larger features of the economic landscape which their immersion in the rushing stream of day-to-day tasks often prevents their seeing clearly. An effort is made to put before them the growing experience of the Bank and of the international community as a whole in promoting economic development.

Publications of the Economic Development Institute are primarily designed for use by persons working in responsible administrative and advisory capacities in government, financial institutions or other important sectors of the economy of the Bank's less developed countries. It is hoped that they may also prove informative and useful to educational institutions and groups and organizations of all kinds concerned with the problems of economic development.

The publications are the work of individuals. While in every case inestimable benefit has been derived from intimate contact with the work of the Bank, the publications in no sense purport to set forth the official views of the Bank or to be an authoritative statement of its policies in general or in detail.

John H. Adler

Preface

THERE ARE MANY STUDIES available which discuss techniques of planning but there are few which deal with the organizational and administrative aspects of planning or with the design of policies, procedures and institutional arrangements for implementing development plans. Because of the lack of published material in these fields, developing countries often establish their own machinery for planning and implementation without benefiting from the experience of other countries. As a consequence, they often spend undue amounts of time seeking solutions to problems and correcting errors which have been encountered before in other countries. These countries have, of course, used different methods to organize the preparation and execution of development plans and programs, with varying results. In spite of this diversity and of the political, economic and social differences among countries, which make it undesirable, even if it were possible, to evolve one planning system for all, there are nonetheless enough features common to most developing economies to make accounts of the experience of individual countries useful as guidelines for others.

For some years, the Economic Development Institute has been assembling, and using in its courses, documentation on the planning experience in developing countries. From these materials, three country case studies have been prepared. *Planning in Morocco* was the first, *Planning in Yugoslavia* the second and *Planning in Pakistan* the third. Also under way is a comparative analytical study of planning experience in representative countries throughout the world, which will seek to draw such lessons and conclusions as may be useful.

The material for this study came from Pakistani and other publications, both official and nonofficial, listed in the bibliography and from numerous conversations with Pakistanis and others who have first-hand knowledge of Pakistan and Pakistan's planning. The authors owe their greatest debt, however, to colleagues in the World Bank. Their patient and sympathetic guidance were of inestimable value.

So many persons have contributed to this study and have read and commented on the several drafts through which it proceeded to its present form that much space would be required to list their names. All richly deserve the thanks which the authors extend to them. In particular, Richard H. Demuth, David L. Gordon and Paul E. Booz of the World Bank, Azizali Mohammed and Moeen A. Qureshi of the International Monetary Fund, Prof. Gustav F. Papanek of Harvard University, Harry Case of the Ford Foundation, G. Ahmed, formerly Chairman of the Pakistan Planning Commission and now Pakistan's Ambassador to the United States and Aftab Ahmad Khan of the Pakistan Planning Commission made many thoughtful contributions which improved the study in many ways. If errors remain, however, the fault clearly lies with the authors.

Albert Waterston
C. J. Martin
Fritz A. Steuber

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Essential Statistics

	<i>Absolute Numbers</i>	<i>Per- centages</i>
<i>Area</i>	<i>365,529 sq. miles</i>	<i>100</i>
East Pakistan	55,126 sq. miles	15.1
West Pakistan	310,403 sq. miles	84.9
<i>Population (Feb. 1, 1961)</i>	<i>93.8 million¹</i>	<i>100</i>
East Pakistan	50.8 million ¹	54.2
West Pakistan	43.0 million ¹	45.8
<i>Population Density</i>		
East Pakistan (including area of rivers)	922 per square mile ²	
West Pakistan	138 per square mile ²	
<i>Rural and Urban Distribution</i>		
Rural		86.9
Urban		13.1
<i>Annual Rate of Population Increase (1951 to 1961)</i>		<i>2.1</i>
East Pakistan		1.9
West Pakistan		2.4
<i>Total Labor Force (Estimated for 1961) of which in</i>	<i>29.4 million</i>	
Agriculture	23.0 million	78.2
<i>Currency Equivalents</i>		
1 rupee	= US \$0.21	} since July 31, 1955
1 US dollar	= Pakistan Rs. 4.762	
Rs. 1 lakh (written Rs. 1,00,000)	= 100,000 rupees	
Rs. 10 lakhs (written Rs. 10,00,000)	= 1,000,000 rupees	
Rs. 1 crore (written Rs. 1,00,00,000)	= 10,000,000 rupees	
<i>Gross National Product 1961/62</i>	<i>Rs. 33.5 billion</i>	
<i>Origin of National Product (1961/62)</i>		<i>100.0</i>
Agriculture, forestry and fishing		55.2
Manufacturing and mining		14.9
Other economic activities		26.0
Public administration and defense		3.9
<i>Per Capita Income (1961/62)</i>	<i>Rs. 317, equivalent to about US \$66.60</i>	
<i>Gross Investment Ratio</i>	<i>10.5 percent</i>	

¹ Official figures.

² Rivers are so large in East Pakistan that they make a substantial difference in land area and population density if excluded. If rivers are excluded, the density of East Pakistan's population is 979 per square mile. The density of population in West Pakistan is almost the same with or without rivers.

I.

Introduction

SINCE PAKISTAN HAS EXISTED as a nation only since the Partition of British India in 1947, its planning experience is confined to the period since then. Within these sixteen years, however, a faltering economy with a precarious outlook has been converted to one beginning to grow at an encouraging rate with promising prospects for continued advance. Planning helped bring about this transformation. From inauspicious beginnings in a politically unstable and largely unsympathetic environment, planning has developed into an accepted function of Government. Within a decade of its establishment as a temporary body, the central planning agency is not merely accepted as a permanent part of governmental administration; it is widely recognized as one of the most effective governmental bodies in Pakistan. Few planning offices in developing countries can claim such clear progress.

In the process of institutionalizing the planning function, Pakistan has accumulated a considerable amount of experience in formulating and implementing development plans. As might be expected, that experience encompasses factors which have favored development and others which have impeded it. Since Pakistanis are vigorous critics of their own performance, both in speech and in print, there is no lack of information about why performance sometimes fell short of expectations. It is not that Pakistan made more mistakes than others; Pakistanis have merely been more forthright in admitting them. In presenting the Objectives of the Second Five

Year Plan to the people, the President of Pakistan strongly defended candor as a condition for achieving planning success:

If the past has not produced what was hoped for, no good will come from blinking that fact. Better far to find out where the error was and how it can be corrected. Some factors which led to unsatisfactory performance were outside our control; others were well within it. Both must be recognized as such, examined carefully and assessed critically. Self-knowledge remains for the nation, as for the individual, the first step in wisdom.¹

By frankly exposing shortcomings, airing the reasons responsible for failures, and reforming administrative procedures and organization to correct deficiencies, the Pakistan Government has diligently sought to reduce the repetition of errors. This is, of course, a sensible approach, but uncommon. Pakistan has been able to learn much from candid reviews of the dangers to which the planning process has been subject within its own borders. Other countries may also find it valuable to study Pakistan's experience. The knowledgeable reader should have little trouble substituting, for Pakistan, the names of other countries, outside as well as inside Asia, where problems of planning and execution similar to those encountered in Pakistan have hampered progress.

This is not to say that Pakistan has no special problems of its own. The fact that the nation is composed of two greatly dissimilar segments, different in language and mode of life, and separated from each other by over a thousand miles of alien territory, undoubtedly creates special difficulties. But these difficulties, although exaggerated in degree, are not basically unlike regional problems found in other countries. When Pakistan gained its independence, it also faced unusually trying circumstances which greatly retarded its progress. When these were overcome, however, Pakistan's experience was analogous to that of other newly emergent nations which seek to plan the development of their economies.

The lessons of Pakistan's planning experience are therefore likely to have wide applicability. They cover an unusually broad range of subjects. These lessons reveal, among other things, the long period

¹ Planning Commission. *Objectives of the Second Five Year Plan*, p. i.

of time needed to establish a viable planning organization; the disadvantage of establishing a planning body on a temporary basis; the debilitating effect on a central planning agency of low salary scales and archaic personnel policies; the deficiencies of the commission type of planning agency; the necessity for locating a national planning agency near the center of political power; the deficiencies of a planning body (East Pakistan's) located outside the regular civil service establishment; the desirability of decentralizing the formulation and implementation of plans in a country like Pakistan; the necessity for combining progress reporting and evaluation of plan results with the planning function, and the undesirability of linking planning with either expediting or operational functions; the inseparability of the planning and policy-making functions and the desirability of having the central planning agency coordinate all foreign aid and technical assistance activities; the lag of implementation behind the formulation of plans when operating departments and agencies lack effective programming units to prepare sound projects and programs; the desirability of tying long-term plans to budgets through annual development programs; the problems of converting an administration created in a previous era to preserve law and order and collect taxes into a modern governmental organization capable of promoting a country's development; the related shortcomings of a corps of top officials composed almost entirely of "generalists" when faced with problems requiring specialized technical knowledge; the need for appropriate distribution of foreign technical assistance between central and provincial planning agencies and operating agencies; the danger of subordinating the training to the operational function when foreign advisers are given both tasks to perform; and, finally, the desirability of having the Central planning organization coordinate all governmental foreign aid and technical assistance.

But the most important lesson to be learned from Pakistan's planning experience does not lie in the list enumerated in the preceding paragraph. The cardinal lesson of the Pakistan experience is that if a development plan is to be carried out, it must have the Government's firm and constant support. The history of the First Plan showed that although the Planning Board could produce a develop-

ment plan, the Plan could not get very far without the help of the Government. Given that support, with reasonably stable political leadership, the Second Plan appears to be well on the way toward achieving its objectives.

It is idle to speculate whether Government commitment was a necessary or a sufficient condition of Pakistan's development. When Pakistani leaders were too immersed in other political issues to give the lead, administrative, organizational, land and other reforms which the First Plan required for its successful implementation were not forthcoming. The political climate at the time was not conducive to fundamental changes in these fields. Mere talk, of which there was a considerable amount by Government leaders, about the importance of economic development, could not significantly change the attitudes and performance of a civil service oriented toward the maintenance of law and order and tax collection, or bring about essential reforms. On the other hand, when the Government created the proper atmosphere by giving strong support to the Second Plan and by using its powers to adopt policies and measures to give effect to the Plan's objectives, conflicts of interest were resolved, administrative bottlenecks were broken, intractable problems were overcome and the civil service responded to the will of Government leaders. The lesson was clear: good administration and activity below depend heavily on firm and constant leadership from above.

II.

Historical, Economic and Political Background

RESOURCES: PEOPLE AND LAND

THE REPUBLIC OF PAKISTAN is composed of East and West Pakistan, two widely separated provinces comprising the main former Muslim majority areas of British India and covering a total area of 365,529 square miles. According to the census taken in February 1961, the total population in 1961 was about 94 million, but the distribution of land and population between the two Provinces of the country is unequal and the bulk of the population is concentrated in a small area. 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 people.² The average population density for East Pakistan is 979 (excluding rivers) and for West Pakistan only 138.

In the decade prior to 1961, population increased at an average annual rate of 2.1 percent, a rate of increase which greatly exceeded most previous estimates. Unofficial data indicate that in 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.³

² Unofficial estimates indicate that the total population in 1961 approximated 100 million, with about 54 million in East Pakistan and 46 million in West Pakistan. Krotki, Karol J. "Population Growth, Size and Age Distribution—Fourth release from the 1961 census of Pakistan," *The Pakistan Development Review*, Vol. III, No. 1, Spring 1963.

³ *Ibid.*

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, with East Pakistan more rural than West Pakistan. About 86 percent of the population is Muslim, but there are important differences in the people of the two Provinces. Bengali is the language of the East while Urdu is widely understood in the West. According to the 1961 census, 81 percent of the population was illiterate.

Pakistan is one of the poorest countries in the world. In 1961/62, gross national product was estimated at Rs. 33.5 billion or about Rs. 317 (US\$67) per capita. Most people live at, or barely above, subsistence levels. Agriculture is the main source of employment, income and raw materials for domestic use and export. It employs almost four-fifths of the labor force and contributes about 55 percent of the gross domestic product, compared to 15 percent for manufacturing. Rice and wheat are the principal crops, the first being grown mainly in East Pakistan, the second in West Pakistan. Agricultural raw material exports account for 70 percent of total exports, and including jute and cotton manufactures, for over 80 percent. Pakistan is the world's largest producer of jute. This crop is grown in East Pakistan, while cotton is produced almost entirely in West Pakistan, largely under irrigation. Other agricultural exports include wool, skins and tea.

In both Provinces, agricultural output depends greatly on weather, but their climate and physical features differ markedly. In East Pakistan, where most of the land is river delta, less than 50 feet above sea level, irregularities in the time of arrival of the monsoon and in the periodic flooding by the Brahmaputra and Ganges Rivers of about one-third of the crop lands can lead to large variations in the production of rice and jute. In West Pakistan, which has extensive areas of barren deserts, upland and mountains, differences in the amount of rainfall can greatly affect yields, particularly of wheat. In East Pakistan, the scarcity of land is offset by its great fertility, aided by subtropical rainfall averaging 88 inches a year. Only one crop a year is now produced on about two-thirds of the cultivated land, although irrigation, flood control and drainage during the dry season could greatly increase output through

double cropping. Apart from the northern section of the Province, West Pakistan is an arid to semi-arid region, with an annual average rainfall of only 12 inches. Irrigation of some 22 million acres in the Indus Valley, 58 percent of the cultivated area of the Province, constitutes the largest system in the world of man-made irrigation in a single river basin. Even in the irrigated areas, cropping is not intensive and large areas are left fallow because of insufficient water. Outside the Indus Basin, the West Pakistan country is mainly inferior range land used in varying degrees for grazing. Standards of husbandry are low. In the dry farming areas soil erosion is a major problem. Agriculture in the Indus Valley is endangered by poor drainage and periodic flooding which have produced widespread waterlogging. Rising water tables and evaporation lead to the deposition of salt on the land, diminishing yields on over 7 million acres and taking about 70,000 acres a year out of production.

Throughout the country, farming is mostly in the hands of tradition-bound, largely illiterate farmers who live in isolated villages and work generally small, often fragmented, farms. Most farming is for subsistence and only about 20 or 25 percent of the food crops produced are sold for money. Much of the country has been endowed with good soils, but primitive agricultural methods and tools, as well as declining fertility of the soil, produce yields which average among the lowest in the world. There is virtually no mechanization.

Except for large supplies of natural gas both in East and West Pakistan, the country lacks important mineral resources. West Pakistan produces only enough coal and oil to meet a part of its total requirements and the cost of importing fuel is a heavy drain on foreign exchange earnings. Known iron ore deposits are generally of poor quality, except for those in a remote region of West Pakistan. There are adequate supplies of limestone and gypsum for cement production in the West, as well as small deposits of manganese, chromite and antimony.

Although urban commerce is well developed, trade and marketing throughout the country suffer from inadequacies of transport and communications, particularly in the East. Apart from railways,

East Pakistan relies for inland transport principally on its extensive river system. In West Pakistan, the road system is good in the north and northwest, but road communications in other parts of the Province are poor. As a result of the difficulties of long distance transport, prices in the various centers frequently differ widely, particularly as between West and East Pakistan.

PARTITION AND AFTERMATH

Few countries which gained their independence after World War II started with greater handicaps than Pakistan. Before the Partition of British India, the economies of the areas which now constitute Pakistan and India were largely complementary. The areas composing Pakistan furnished the raw jute and cotton for two of India's most important industries, as well as surplus wheat for food deficit regions in undivided India. In return, what is now Pakistan received jute manufactures, cotton textiles and other manufactured products, as well as coal, iron and steel, tobacco, sugar, vegetable oil and other commodities.

The severance of these well established relationships by Partition and the accompanying mass transfers of population, disrupted Pakistan's trade, commercial and industrial organization, marketing relations, channels of communication and Government. Almost 7.5 million refugees crossed the new frontiers from India⁴ and as many are believed to have left Pakistan for India. While a few of the Muslim refugees who came from India were wealthy, most were destitute farmers and craftsmen; on the other hand, among the Hindus and Sikhs who left Pakistan with much of their capital were many merchants, businessmen, money lenders, office workers and members of the professions. Besides the problems raised by the confusion and violence which accompanied these mass movements and the immediate and costly urgency of the refugee problem, this unplanned population exchange caused many difficulties by remov-

⁴ Maudlin, W. Parker and Hashmi, Sultan S., "Illustrative estimates and projects of the population of Pakistan, 1951 to 1991," *Population Growth and Economic Development with Special Reference to Pakistan*, edited by M. L. Qureshi, Karachi: The Institute of Development Economics.

ing people with qualifications most needed by Pakistan's economy and by adding large numbers of farm laborers to an already overcrowded agriculture.

Schools, hospitals, clinics and other institutions, which had been run mostly by non-Muslims, were left without supervisory personnel. Many professors, teachers and research workers from universities, colleges, schools, and agricultural and other research institutes left the country. Municipal services almost came to a halt. Businesses, banks and insurance companies were incapacitated in varying degrees for lack of managerial staff. Many closed down. There was virtually no industry. Except for Lahore in West Pakistan, Partition cut Pakistan off from major centers of trade and industry. The jute growers of East Pakistan were separated from the jute processing industry of India, and the irrigation system on which the agriculture of the Indus Valley in West Pakistan depended was cut into two, with the headwaters and parts of the canals in India.

The run-down railways inherited at Partition were almost at a standstill because of coal shortages. Other transportation services also were disorganized and lacked essential fuel and spare parts. Formerly pivoted upon Lahore in the west and Calcutta in the east, the segmented railways had to be reoriented toward Karachi and Chittagong, respectively. Except for Karachi, port facilities, especially in East Pakistan, were almost nonexistent. New and modernized port facilities had to be built at Karachi in West Pakistan and Chittagong and Chalna in East Pakistan.

Great difficulties were encountered in establishing a new Central Government in Karachi, as well as Provincial Governments in Lahore and, especially in Dacca, the respective capitals of West and East Pakistan. There was little suitable office space, equipment or staff available. Only about 100 members of the Indian Civil Service remained to form the nucleus of a new Civil Service of Pakistan and many were from the lower ranks. The difficulties of setting up government machinery were intensified by the divergent characteristics of the two Provinces and by their separation from each other by 1,200 air miles and some 3,000 sea miles. Pakistan had no airline and only Karachi had a major airport. The country had almost no merchant fleet and no national radio station. There was almost no

movement of people or commerce between the two Provinces which, except for their Muslim religion and inherent poverty, had little in common. In almost every field a fresh start had to be made.

It is against this background of severe economic and financial stresses and almost complete disorganization, urgent refugee problems, shortages of experienced administrators and technicians and lack of banking, industrial, commercial and service organizations that Pakistan's development efforts must be considered. By 1950, some initial difficulties had been partly overcome. The Korean War boom of 1950-51 stimulated the economy by increasing prices of Pakistan's principal exports. Occupational gaps caused by the wholesale migrations were gradually filled and a governmental administrative apparatus was created. A central bank, the State Bank of Pakistan, established in July 1948, helped to re-establish banking services. The creation of the National Bank of Pakistan, a largely state-owned commercial bank, added greatly to the availability of commercial credit facilities, particularly for the movement of jute. The Pakistan Industrial Finance Corporation was set up to provide industrial credit, and other institutions were established to make credit available for refugees engaged in cottage industries, for agriculture and for home building.

After the collapse of the Korean War boom the condition of the economy rapidly worsened. Large outlays for development and military expenditures, which never fell below 30 percent of the Central Government's budget, greatly strained public finances. Substantial budgetary deficits, aggravated by food shortages in 1952 and 1953, generated strong inflationary pressures and, in spite of substantial foreign assistance, foreign exchange resources declined drastically.

CONSTITUTIONAL CHANGES

Political instability exacerbated economic problems. After Partition in 1947, the Constituent Assembly of Pakistan had begun to draft a constitution for the new country. Factional rivalries delayed the work of the Assembly. Although it finally approved a draft

constitution in September 1954, the Assembly was dissolved the following month and nothing came of its efforts. A second Constituent Assembly began work in July 1955 and succeeded in enacting a Constitution which went into force in March 1956. Under the new Constitution, the Republic of Pakistan became a federation of the two Provinces of East Pakistan and West Pakistan. At the federal level, the Constitution provided for a President, a Cabinet of Ministers with a Prime Minister at its head and a unicameral National Assembly. At the provincial level, each Province had a Governor appointed by the President and a Cabinet of Ministers headed by a Chief Minister, as well as a unicameral Assembly.

The National Assembly replaced the Constituent Assemblies as the center of power struggles in which party lines were often less important than the ambitions of individual politicians. The country fell prey to widespread dissension which, among other things, accentuated differences between East and West Pakistan. Coalition governments changed frequently. None of them stayed long enough to improve substantially the economic situation.

The country could ill afford the heavy burden placed on its impoverished resources. Although many gains had been made since Partition, economic growth had been disappointing in spite of mounting development expenditures, increasing foreign aid and the consumption of foreign exchange reserves. Increased food imports were needed to compensate for worsening food shortages. It was generally believed that hoarding and smuggling were intensifying the scarcity of foodgrains. Standards of public administration and probity declined. Increasing political dissension and growing economic problems finally precipitated a crisis.

After the President had met the crisis by abrogating the Constitution, dismissing the National and Provincial Assemblies and abolishing all political parties, a military regime assumed power in October 1958. Drastic measures which the new Government took to contain inflation and to halt the loss of exchange reserves caused some initial uncertainty, but popular confidence in the regime increased as it gave increasing evidence of political, economic and financial rectitude, political stability and a desire to support measures for developing the economy.

In March 1962, a second Constitution was adopted for the country. It provides for a federal form of government, a President with strong powers elected indirectly through the Basic Democracies system and unicameral national and provincial legislative assemblies. All legislation requires the assent of the President, who may also promulgate ordinances when the National Assembly is not in session, subject to subsequent approval by the Assembly. The President appoints a Council of Ministers to assist him in the performance of his functions. The Central Government has jurisdiction over matters relating to security, coordination of national economic affairs, planning and development, coordination of the two Provinces where required, international relations and dealings with international agencies. The Provinces are given considerable autonomy in fields which are not reserved to the Central Government. Provincial Governors, who are appointed by the President, name Provincial Councils of Ministers subject to the President's approval. Bills passed by a provincial assembly do not become law unless the Governor assents to them.

III.

First Efforts at Planning

SHORTLY BEFORE THE END of World War II, the Government of British India created a Department of Planning and Development to prepare development projects which could be carried out after the War. In response to this Department's invitation, the Provincial Governments of undivided India prepared many projects which were to be executed with the aid of Central Government loans or grants. Before action on these projects could be taken, Partition of the country occurred, and so when Pakistan was established in August 1947, its States and Provinces had available a stock of projects which had been prepared before independence.

Despite the formidable difficulties faced after Partition, the Government gave almost immediate attention to these projects and to the problems of development. Early in 1948, a Development Board was established with authority to coordinate development plans, recommend priorities, watch the progress of development projects and make periodic reports to the Cabinet on the progress of development projects. At the same time, the Government also created a Planning Advisory Board composed of officials and representatives of the private sector, to advise the Government on matters relating to planning and development, review progress in implementing plans, educate the public regarding the necessity for projects to be undertaken and promote public cooperation of the development effort. The Planning Advisory Board was assisted by a series of industrial boards and committees established by the Central and Provincial Governments. In cooperation with the

Development Board, these industrial boards and committees fixed targets for 27 industries.

The Development Board and the Planning Advisory Board were at first administratively responsible to the Cabinet Secretariat of the Government of Pakistan, but after March 1948, when a separate Ministry of Economic Affairs was created to coordinate the planning and economic activities of the various ministries, they were transferred to that Ministry. The Minister of Economic Affairs was Chairman of the Development Board. The highest civil servant in Pakistan, the Secretary-General of the Cabinet, was Vice-Chairman and the members were the Secretaries, i.e., the permanent chief administrative officers, of the Ministries of Finance, Industries, Commerce and Education, Health and Works, Food and Agriculture, and Communications.

At the time of Partition, the two important British India Provinces of Punjab in the West and Bengal in the East had been cut in two. This change, as well as the need to give greater attention to the development of some sectors than had been done in the past, made it necessary to review the projects which had been largely prepared by the Provinces before Partition. The Development Board therefore asked the central ministries and the Provincial Governments to re-examine and update the old projects and to prepare new ones which would give greater emphasis to Pakistan's changed needs.

In response to this request, old projects were modified and new projects were prepared and submitted to the Development Board. Notwithstanding the existence of the Board, the Government frequently approved projects without referring them to it. The Board made recommendations that loans or grants by the Central Government be made subject to conditions which the Board believed were essential for proper implementation of projects, but it had no effective means of controlling the execution of the projects which it had approved. Although the Prime Minister had indicated that the best way of assuring the country's development "would be to prepare a plan for the next five or ten years with clear-cut objectives and targets which must be achieved according to a pre-determined

rate,"⁵ the Board made no attempt to prepare a plan or even to relate projects to one another.

Planning in Pakistan received added impetus when, in May 1950, member countries of the then newly formed Colombo Plan for Co-operative Economic Development in South and Southeast Asia, agreed to prepare coordinated six-year development plans to begin in mid-1951. Pakistan's Six Year Development Programme for July 1951 to June 1957 was compiled in three months and incorporated into the Colombo Plan in September 1950. The Government of Pakistan adopted the Plan in November 1950.

The Six Year Development Programme provided for investments totaling Rs. 2.6 billion, of which Rs. 2.2 billion were to be public development expenditures and Rs. 0.4 billion were to be private investments. Agriculture received almost one-third of the proposed total allocation; transport, power and industry each received between 18 and 20 percent and social services obtained the small remainder.

Although envisaged by its compilers as a development plan because it included some reference to the private sector and attempted to group public investment projects by sectors, the Six Year Development Programme was little more than a public investment program containing projects which had been selected on an *ad hoc* basis without reference to available resources and the requirements of the economy. For agriculture and for some other sectors, where no projects were ready, lump sums were allotted. The bulk of the Programme consisted of a list of 67 "main projects." The Programme set physical targets, especially in agriculture, but there was no attempt to relate the projects to the targets; nor was there any indication how the expected increase of 30 percent in the standard of living had been estimated.

The official initiation of the Plan in July 1951 coincided with the economic boom which followed the outbreak of the Korean War. Rearmament and stock piling programs in the United States led to a steep increase in Pakistan's jute and cotton export prices which increased Pakistan's public revenues and foreign exchange earnings.

⁵ Address of the Prime Minister, *Record of the First Meeting of the Planning Advisory Board*, p. 2.

The country's economic prospects looked bright. On the other hand, the Korean hostilities were threatening to reduce the supply and raise the cost of machinery, equipment and essential materials which Pakistan required for its larger development projects. The Government was therefore anxious to accelerate the Six Year Programme. The Programme had been hastily formulated without basic statistics and other essential information; it omitted many important projects, some of which were already under construction. Consequently, there was also urgent need to modify it on that account.

Declaring that the Six Year Programme "had never been conceived as a rigid set of development projects" and that it "easily lent itself for adaptation and expansion with the availability of financial and material resources,"⁹ the Government adopted in April 1951 a Two Year Priority Programme for 1951/52 and 1952/53. The Two Year Priority Programme was intended to give precedence, in the early stages of the Six Year Programme, to development projects in the fields of fuel and power, industry and mining, transport, communications and agriculture, which the Government felt were essential to the needs of the country. The Two Year Programme included projects in the Six Year Programme as well as many new ones. Total investment outlays for the Two Year Programme were estimated at Rs. 505 million, almost half of which, Rs. 225 million, were for projects which were not in the Six Year Programme. As the Six Year Programme proceeded, more projects were added and the schedule of projects was ultimately a greatly expanded version of the list in the original Programme.

The Government set up new planning machinery in January 1951 to implement the Six Year Development Programme. The Planning Advisory Board was abolished and the Development Board was replaced by a Planning Commission with 20 members. Membership included the Minister of Economic Affairs as Chairman, the Secretary-General of the Cabinet as Vice-Chairman, the permanent Secretaries of almost all the central ministries, the Director General of the Railways, and after its creation, the head of the Pakistan Industrial Development Corporation, as well as nominees

⁹ Ministry of Economic Affairs. *Progress of Economic Development in Pakistan*, p. 4.

of the Provincial Governments. Besides the Planning Commission, an Economic Council was created.⁷ It was presided over by the Prime Minister and included the Ministers of Food and Agriculture, Communications, Education, Economic Affairs, and Finance and Industries. A Planning Wing in the Ministry of Economic Affairs acted as Secretariat for both the Planning Commission and the Economic Council.

The Economic Council was responsible for implementing the Six Year Development Programme, for approving projects under the Programme and for reporting periodically on the Programme's implementation. The functions of the Planning Commission combined those formerly held by the Planning Board and the Planning Advisory Board. In practice, however, its main task during the period of the Six Year Programme was to examine all nonrecurring development projects estimated to cost Rs. 500,000 or more and recurring projects costing Rs. 100,000 or more and to recommend action thereon to the Economic Council.

The Planning Commission got off to a slow start. Rules of procedure for the consideration of development projects were worked out only after two years. A series of six subcommissions, each headed by the secretary of the ministry most concerned, with technicians from the ministries and Provincial Governments and others as members, had been established to determine the extent of resources available to meet requirements and to prepare projects for agriculture, irrigation, industries, education, health and housing. These subcommissions never functioned. Moreover, 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.⁸

⁷ Cf. Nos. 4 and 5 in the Appendix. In Pakistan different planning agencies have been given the same title while some have been created and then abolished, absorbed into other organizations or reconstituted. For these reasons a list of all central planning agencies in the order of their establishment is given in the Appendix, together with their years of operation and purpose.

⁸ Ministry of Economic Affairs. *Report of the Economic Appraisal Committee*, pp. 173-174.

The decline in Pakistan's export prices and serious food shortages which followed the cease-fire in Korea made it unfeasible to carry out the Six Year and Two Year Programmes as originally envisaged. Annual public outlays for development more than doubled from Rs. 339 million in 1950/51 to Rs. 746 million in 1954/55. Increased development outlays financed mainly by foreign aid and loans and by internal borrowing from the banking system, as well as high defense expenditures, produced inflationary pressures which severely strained available external and domestic resources. Actual outlays for development, however, usually fell considerably behind budgeted amounts, not so much because of a lack of funds, but because of an acute shortage of administrators, managers, technicians, foremen and other skilled and experienced manpower in Government and industry. Better progress might have been possible on the more important projects if the scarce managerial, technical and skilled labor, as well as material and financial resources, had not been dispersed over many large and small projects. Although the Planning Commission and the Ministry of Finance tried to eliminate obviously low-priority projects already in progress, the pressure for continuing outlays for projects already started was often too strong to overcome.

Nevertheless, much was accomplished. Industrial assets increased by three and a half times between 1950 and 1955.⁹ Although the industrial base was extremely narrow in 1950, substantial absolute increases in capacity occurred in existing and new industries. Both private investment and government outlays through the Pakistan Industrial Development Corporation (PIDC),¹⁰ contributed to the growth. Power, transport, ports and communications, and social

⁹ Papanek, Gustav F., "The Development of Entrepreneurship," *American Economic Review*, May 1962, p. 51. The computation was made on the basis of supplementary information for 1950 furnished by Prof. Papanek.

¹⁰ The PIDC was a public authority established in 1952 to promote industrial enterprises which private industrialists were unable or unwilling to undertake. It took the initiative in promoting industries which required heavy initial capital investment, took a long time to construct, or involved processes requiring advanced technical knowledge. PIDC often invested in industrial enterprises jointly with private investors. Its Charter required that enterprises it had established be transferred to private ownership when this became feasible.

and municipal service facilities were greatly expanded, although not nearly enough to meet demand. But partly because of official emphasis on industrial development, agriculture was neglected and little progress was made in this sector.

IV.

The First Five Year Plan

AS THE EXECUTION of the Six Year Programme proceeded, there was growing realization that the presentation of isolated projects to the Planning Commission without relation to a general development program or even to other projects in the same sector and the undue delays in getting projects approved, constituted grave defects. In August 1952, an Economic Appraisal Committee was appointed by the Government to review the progress made in executing development projects 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 pointed out:

that though certain targets in different fields have been laid down, they have not been considered in relation to the overall resources and requirements, and consideration and approval of schemes has proceeded essentially on an *ad hoc* basis . . . [The Committee thought that] . . . initially, this was unavoidable and did not prove harmful, because the field of development was so large and the needs so obvious that any project was bound to bring in substantial benefits . . . [However] . . . more orderly and integrated planning should be done than hitherto. For the successful prosecution of the development programme . . . an adequate and efficient planning organization is essential.¹¹

Although the "constitution of a planning group of technical experts has been suggested by some foreign experts, in order to undertake planning in various sectors," the Committee felt that "considering

¹¹ *Report of the Economic Appraisal Committee*, pp. 174 and 203. The other citations in this paragraph are either from pages 174 or 203 of this Report.

the shortage of qualified persons in the country and other limitations, the existing organization and the procedure for its working appear on the right lines." However, the Committee emphasized that it would consider the existing organization adequate only if the six planning subcommissions previously mentioned worked properly, and for this "we would suggest that it is high time that the planning subcommissions were asked to start functioning and to complete at an early date the study of resources and requirements in their respective spheres."

THE PLANNING BOARD

Notwithstanding the Economic Appraisal Committee's recommendation that the Planning Commission be revitalized and put into position to plan within the limits of available resources, the Government chose instead to have the Planning Commission continue to consider individual projects as in the past. But although the Six Year Development Programme was scheduled to continue until June 1957, the Government seems to have agreed with the Committee's recommendation that it had to engage in "more orderly and integrated planning." For this purpose, it created a Planning Board in July 1953 and directed it to assess the resources available for development during five years beginning April 1, 1954, prepare a new national development plan for that period making the fullest possible use of resources and propose changes in administrative organization which it considered necessary to assure successful implementation of the Plan.

The governmental resolution which provided for the establishment of the Planning Board had expressed the hope that a draft five-year plan for the period beginning April 1, 1954 would be ready by that date. But on April 1, 1954, only the Chairman of the Planning Board, a few administrative staff members and three or four senior professional staff members had been engaged. Because of the lack of staff, the starting date of the proposed plan period was postponed by a year to April 1, 1955. In July and August 1954, two additional members were appointed to the Planning

Board. One was a former member of the East Bengal (later East Pakistan) Government; the other was the permanent Secretary in the Central Ministry of Economic Affairs, who continued to hold this position while serving as a member of the Board.

The Board ran into difficulties in trying to recruit a suitable Pakistani staff. As was to be expected, there was a great shortage of trained and experienced economists and technicians and considerable competition for their services. But the usual difficulties of obtaining a qualified staff were intensified. The Board was greatly handicapped because it was a temporary organization in an environment in which civil servants considered job security, seniority, rank and status to be of prime importance. Because it was a temporary agency, the Board could not offer jobs with permanent civil service status and had to obtain people either on short-term contracts or on loan from other agencies. But since a position with the Planning Board did not carry the prestige and power that a position in an operating ministry conferred, the Board found it difficult to get personnel from other parts of the Government. In addition, by decision of the Establishment Division in the Cabinet Secretariat, no member of the so-called central superior services, which included some of the ablest officials in the Government, could be assigned to the Board, except at the top level of Secretary. But almost all positions in the Board were classified at much lower levels. Finally, the Board, like most other government offices, followed cumbersome rules for establishing positions and for selecting, engaging, training and promoting personnel which seriously impeded the acquisition and retention of qualified staff. Under these rules, salaries were determined on the basis of seniority rather than merit and performance. The salaries which the Board offered well-trained candidates without seniority were not high enough to compete with either private industry or other alternative employers and attempts to get the Ministry of Finance to approve higher salaries met with little success. In some cases inability to obtain adequate living accommodation in Karachi prevented acceptable candidates from other parts of the country from accepting offers of appointment.

After an intensive recruiting campaign, however, the Board suc-

ceeded in building up the professional staff in April 1955 to a peak of about 65 professionals; by September 1955 the number had been reduced to a more stable complement of about 55. Although the staff included some able people, many were not of high caliber and most were junior personnel with inadequate training and little experience who required close supervision.

By 1955, the organization of the Planning Board had also taken shape. The Board had three divisions: Economic, Projects and Administrative.¹² Each member of the three-man Board was nominally responsible for supervising the day-to-day activities of designated sections of the Board. The Chairman was in charge of the Economic Division and all administrative and personnel matters. In theory, the members of the Board collectively made all policy decisions. But the Chairman, an exceptionally able senior civil servant with great prestige, who had formerly been Governor of the State Bank of Pakistan, was the *de facto* executive head of the agency.

The Board found it impossible to fill all vacancies. Because of the frequently large gaps in the table of organization, the Economic Division in practice operated as a single unit without sections while the sections in the Projects Division, which was without a regular Chief, reported directly to the Board. Development of procedures and methods of operation, scheduling of the Board's activities, liaison with other governmental agencies and the solution of many other problems which were theoretically within the jurisdiction of the Administrative Division actually consumed much of the Chairman's attention and greatly reduced the time which he could give to substantive matters.

¹² The Economic Division, which was responsible for economic research, proposing sectoral priorities and preparation of the proposed plan, had four sections: (1) Fiscal and Monetary, (2) International Trade and Foreign Exchange, (3) National Income and Statistics and (4) General Economics. The Projects Division, which was responsible for examining and proposing projects for inclusion in the proposed plan had nine sections covering the main sectors of the economy: (1) Agriculture, (2) Industry and Commerce, (3) Power, Irrigation 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, which was concerned with office administration and the Board's relations with outside agencies, had two sections. These were later increased to the following five sections: (1) Administration, (2) Coordination, (3) Development Authorisation, (4) Publicity and (5) Budget and Accounts.

The Planning Board, unlike its predecessors, was a technical and advisory body without authority to make decisions. Its views, even the plan it eventually prepared, were merely recommendations which could only gain official status if and when approved by the Government. The idea of a staff, i.e., advisory, agency such as the Board was an innovation in Pakistan, where almost all governmental units were executing bodies. Not surprisingly, therefore, few persons in the Government, among the public and even within the Board itself, clearly understood what the Board was supposed to do. The Board's requests for information or for the submission of proposals frequently encountered passive resistance which handicapped and delayed its work. When the Board began making suggestions for changing projects submitted by the various ministries, departments and agencies, apathy sometimes gave way to open hostility. Nor were working relationships made smoother when some of the Board's staff, accustomed to the command tradition typical of the executing agencies, tried to order other governmental bodies to comply with the Board's requests and recommendations.

There were also unresolved jurisdictional issues involving the Ministry of Economic Affairs which created problems for the Planning Board. The Planning Board was administratively attached to the Ministry of Economic Affairs, but in fact operated as an independent unit. The Ministry had responsibility for planning, initiation of projects, development coordination, progress reporting and evaluation of development projects. It carried out these functions, in greater or lesser degree, through its Planning Wing, which acted as the Secretariat of both the Planning Commission and the Economic Council.¹³

In his capacity as Chairman of the Planning Commission, as well as the head of the Ministry which acted as its Secretariat, the Minister of Economic Affairs had effective control over the Planning Commission. In theory, the Planning Commission assessed projects and set priorities, but in practice these activities were carried out within the Ministry. The Planning Commission, largely composed of the permanent secretaries of the various ministries, was, to quote the report of a Federal Reorganisation Committee which the Gov-

¹³ Cf. Appendix, Nos. 4 and 5.

ernment set up in mid-1956 to recommend needed administrative and organizational reforms: "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."¹⁴

Although the Federal Reorganisation Committee recommended that the Planning Commission, as well as the Ministry of Economic Affairs, be abolished as redundant and that the Planning Board be given responsibility for assessing projects and determining priorities, the Government did not act on the recommendation. An arrangement was worked out whereby projects submitted to the Planning Commission were referred, prior to decision, to the Planning Board for recommendations. In this way, inconsistencies between Commission and Board actions on projects were generally avoided. Nevertheless, there were instances when projects were approved which the Planning Board had not considered.

In spite of jurisdictional problems, the Planning Board was fortunate in its early years to have a strong supporter in the Minister of Economic Affairs, who had taken the lead in getting the Board created. The Minister, who was also Minister of Finance until August 1955 when he became Prime Minister while retaining the portfolio of Economic Affairs, was one of the most important members of the Government. Although his time was greatly circumscribed by his numerous responsibilities, it was mainly because of his sympathetic interest and support that the Planning Board acquired some status in the early period of its existence. It was frequently necessary for the Chairman of the Planning Board to confer with the Minister about policy, procedural or personnel matters. The fact that the Chairman had direct access to the Minister without having to go through the Secretary of the Ministry, the customary procedure in Pakistan, largely accounted for such success as the Board had in establishing itself as an operating organization.

The replacement of this Prime Minister in September 1956 by another, followed by the departure of the Board's able first Chairman at the end of that year, seriously weakened the Board's position. The two Prime Ministers who came afterward also had little

¹⁴ *Report of the Federal Reorganisation Committee*, p. 5.

appreciation or understanding of the Board's function or the planning process. As a result, the Planning Board entered into a period of decline which was not reversed until the change of Government in October 1958.

The Board had made many attempts to get itself established as a permanent agency, but opposition from some ministries delayed this step until late in April 1957. When the Board was made permanent, its scope was broadened to include some functions formerly exercised by the Ministry of Economic Affairs and the Planning Commission. In addition to the preparation of plans, the Board was authorized to advise the central ministries and the Government on financial, economic and other subjects affecting development; to stimulate and, if need be, initiate the preparation of projects (by making suggestions or proposals to the appropriate ministries, departments or agencies); to examine and include projects in development plans; review economic conditions and follow the progress of development; to encourage and expand research, especially in economics, and to submit periodic reports as desired by the Government. The Board tried to get authority to supervise the execution of plans, but failed because of the opposition of ministries which were fearful that the Board was trying to become involved in operations. Because of determined opposition from the Ministry of Finance, the Board's request that it be authorized to prepare annual development programs was also turned down.

The Federal Reorganisation Committee, already mentioned, had also recommended that the central planning function be removed from the Ministry of Economic Affairs and placed under the direct charge of the Prime Minister. When the Board was made a permanent agency in April 1957, this recommendation was adopted. The Prime Minister assumed the office of Chairman of the Planning Board while the Secretary to the Ministry of Economic Affairs, who had been one of the three members of the Board since 1954 and who had succeeded the first Chairman at the beginning of 1956, became Deputy Chairman.¹⁵ This shift, which in the governmental

¹⁵ In mid-1957, a former Minister from Sind before the formation of the integrated Province of West Pakistan was appointed a member of the Board. Since the other ordinary Board member was from East Pakistan, the effect and the intent of the appointment was to give political representation on the Board to both Provinces.

table of organization seemed to bring the Board closer to the source of executive power, had no practical significance.

It was after the Planning Board had been made a permanent agency that the prestige of the Board reached a nadir. Although the Prime Minister manifested his interest in the Board on several occasions, the unstable political situation and the fact that he held the portfolios of four ministries, in addition to being Prime Minister, made it difficult for him to attend to the Board's business. He stayed in office only a few months after the Board had been made permanent. His two successors also held their positions for short periods. They played little part in the Board's activities. The Board was often unable to obtain necessary policy decisions and to get its recommendations considered. The work of the Board slowed down. Low staff morale, not improved by the Board's poor personnel policies, resulted in the departure of some of the Board's ablest economists.

In April 1958, after the Prime Minister (there had been two changes in incumbents meanwhile) concluded that he was unable to devote sufficient attention to his duties as Chairman of the Planning Board, the Chairmanship was therefore shifted to the Minister of Economic Affairs. The Minister had much less power and prestige than either the Prime Minister or the Minister of Economic Affairs at the time the Board was created. Consequently, the change brought no improvement in the Board's status or influence.

PROVINCIAL PLANNING ORGANIZATIONS

From the beginning, each Province had its own planning machinery. Under Pakistan's federal system of Government, the Planning Board, as an agency of the Central Government, had no legal control over planning agencies or developmental activities in the Provinces. In practice, however, the Planning Board could greatly influence provincial development since the Provincial Governments depended on the Central Government for funds to finance most of their development programs.

East Pakistan

East Bengal, later East Pakistan, began in 1948 with an organization incorporating:

- a) a Cabinet Development Committee composed of Provincial Ministers of departments concerned with development and with the Chief Minister as Chairman. Other ministers acted as temporary additional members when their projects were discussed;
- b) a Development Board, composed of the permanent Secretary of the Finance Department, the secretaries of development departments and the Chief Secretary of the Provincial Government who was the Chairman. The secretary of any other department could be co-opted when a subject concerning his department was under discussion;
- c) a Planning Department, headed by a full-time Development Commissioner, acted as the Secretariat of the Development Board.

In order to coordinate these three groups, the Development Commissioner acted as Secretary for both the Cabinet Development Committee and the Development Board, while the Chief Secretary, besides being Chairman of the Development Board, also attended all meetings of the Cabinet Development Committee.

The Cabinet Development Committee had authority to consider the administrative, financial, legislative and general aspects of projects submitted by provincial departments after their examination by the Development Board and to indicate whether and in what order they should be included in provincial development plans; to review progress in the execution of projects; to coordinate the execution of projects; and, when unable to take action itself, to recommend action by the Cabinet.

As the clearing house for the Cabinet Development Committee, the Development Board had authority to formulate and modify integrated provincial development plans; keep watch over each department's projects and programs; endorse, modify, coordinate and set priorities on projects or initiate projects; and recommend courses of action to the Cabinet Development Committee.

The original membership of the Development Board had been limited to the "nation-building," i.e., the developmental depart-

ments, with the secretaries of other departments attending only when subjects within their jurisdiction were under consideration. Unfortunately, the Board soon expanded to an unwieldy size with the secretaries of practically all the departments attending its meetings. Meetings were infrequent, usually taking place once every three months. The Board's conclusions, usually circulated in the form of minutes, were rarely put into effect.

The ineffectiveness of the Development Board and of the Development Commissioner, together with the distrust felt by the Provincial Government for the Civil Service at the time, led the East Pakistan Government in February 1957 to add a non-civil service Planning Board to the existing organizations. The Chief Minister of the Province was Chairman, the other members being the Provincial Director of Statistics (who, although a civil servant, enjoyed the Chief Minister's special confidence) and from outside the Government two economists who were associated with the University of Dacca.

The Development Board, formerly the chief medium for approval of projects and programs, was relegated to a perfunctory consultative body to advise generally on the implementation of development programs. The new Planning Board was given primary responsibility for assessing development resources and requirements, setting priorities for projects, formulating long-range and annual plans, encouraging research and the preparation of projects, advising the Provincial Government on development policies and maintaining liaison with the central Planning Board. The Planning Department, renamed the Planning and Development Department and headed by another Development Commissioner, was to act as Secretariat to the Planning Board.

The results of the attempt to circumvent both the civil service and the Development Commissioner through a non-Civil Service Planning Board, were not satisfactory. A new Development Commissioner was appointed who was more energetic than his predecessor, but this advantage was greatly offset by his rivalry with the Planning Board. The lack of an adequate staff for the Board and the development of dissension among its members, made it possible for the Development Commissioner to take the initiative in reviewing

projects and programs, functions which the Planning Board was supposed to exercise. While the Board was given an opportunity to comment on projects and programs, it was handicapped by being outside the civil service and therefore outside the flow of essential operational and other information. Although the Development Board no longer was important, the civil service permanent secretaries who composed its membership had ways of circumventing the Planning Board's decisions.

Eventually, it became apparent to the Provincial Government that the Planning Board, as constituted, could not operate effectively. The Development Commissioner was therefore added to the membership of the Planning Board in an attempt to bring about some coordination between the Board and the operating departments. When this step did not bring the desired results, an attempt was made to include on the Board more representatives from the operating departments. Despite this, the Board never succeeded in establishing an effective relationship with the other parts of the Government.

West Pakistan

With the exception of the Northwest Frontier Province, the planning agencies in the various Provinces and States, which later were combined to form the Province of West Pakistan, were even less satisfactory organizations than those in East Pakistan. Because officials designated as development commissioners in West Pakistan were also frequently responsible for one or more operating departments, they usually had little time for planning; since their rank was often no higher than that of other secretaries and was sometimes lower, they did not have the status needed to oversee the planning and implementing of development in operating departments. These conditions continued after the formation of the Province of West Pakistan.

In 1956, the Development and Irrigation Department began to function as West Pakistan's coordinating agency for development projects and programs. It acted as the Secretariat for:

- a) a Development Council, composed of the three Ministers representing West Pakistan on the National Economic Council, and

- b) a Development Committee, consisting of the permanent secretaries of all provincial departments except Home and Law.

The Development Council had final authority to approve projects and programs after they had cleared the department concerned, the Provincial Finance Department, the Development Wing of the Department of Development and Irrigation and the Development Committee. Experience soon showed that the permanent secretaries who constituted the membership of the Development Committee were neither interested in, nor competent to consider, projects and programs of departments other than their own. Since the secretaries did not take time to read documents relating to projects, the meetings of the Committee were largely unproductive. In a move to overcome the Committee's inadequacy, it divided into a series of subcommittees. The membership of each subcommittee was limited to secretaries directly concerned with projects or programs which it was to consider. The National Planning Board¹⁶ nevertheless remained critical of West Pakistan's planning set up:

The greatest weakness of this set of arrangements would seem clearly to be the mixture of responsibilities vested in the Department of Development and Irrigation. It is, on the one hand, supposed to evaluate and coordinate schemes emanating from all other departments, and to produce balanced overall development programmes; at the same time, it bears direct administrative responsibility for two of the most important development fields—viz., irrigation and electric power. This places it inevitably in a somewhat anomalous position in its dealings with other departments and must affect significantly their willingness to accept its efforts to achieve balance and coordination. It also places an impossible burden on the Development Secretary, who should be able to devote his full attention to the department's planning and coordinating functions. He is compelled at present to devote a very large proportion of his time and energies to water and power problems.¹⁷

¹⁶ Early in 1958, the Planning Board of the Central Government had been redesignated the National Planning Board in order to distinguish it from the East Pakistan Planning Board.

¹⁷ National Planning Board, *The First Five Year Plan*, p. 99.

The National Planning Board therefore recommended that co-ordination of planning and development be separated from all operating functions in a Provincial Development Department. Despite the conflict of interest in West Pakistan's planning arrangements, the main weakness of West Pakistan's planning organization, like East Pakistan's, appears to have been the lack of trained staff qualified to deal with the technical and economic aspects of development projects and programs.¹⁸ Because of this shortcoming, more than any other, the Development Commissioners in both Provinces were unable to make a real contribution to provincial development planning, coordination or review.

Local Planning

At the local level within each Province there were no effective planning or programming bodies. District officers and divisional commissioners were only infrequently consulted by provincial departments about development problems. For their part, district officers generally had insufficient staff, were overburdened with day-to-day administrative duties and were largely concerned with law enforcement and revenue collection. Few had the time or the inclination to pursue developmental activities. Unduly rapid rotation of district officers also greatly reduced their effectiveness. Local self-governing bodies in the districts, which had formerly been important media for constructing roads, schools, waterworks and other local facilities, had also lost their effectiveness as developmental agencies. As popular pressure for official action increased, Provincial Governments gradually assumed many of the functions formerly exercised by local bodies and as the functions of these bodies were reduced, public confidence in them diminished still further. By the time the First Five Year Plan was formulated, there was "a tendency for plans of development to be prepared at the Provincial and Central

¹⁸ In West Pakistan, the rapid turnover of deputy secretaries who, under the direction of the permanent Secretary of the Department of Development and Irrigation, were in direct charge of development activities, seriously reduced the Department's efficiency. Between mid-1956 and mid-1959, there were no less than 12 deputy secretaries for development. Most stayed for only about three months and some for as little as one.

headquarters, and nearly all decisions are taken at these levels, especially at the latter."¹⁹

THE ROLE OF FOREIGN ADVISERS

The central planning organization's extensive use of foreign technical assistance has been a significant feature in Pakistan's planning experience. Soon after the establishment of the Planning Board, the Chairman recognized that he could not obtain in Pakistan a staff which could carry out the Board's mandate. He therefore made arrangements under which the Ford Foundation made a grant to finance the cost of a group of foreign advisers to the Board recruited and supervised by the Graduate School of Public Administration of Harvard University. The first foreign adviser obtained under these arrangements reported for duty in April 1954. Eventually, there were eight to twelve full-time advisers, in addition to about four or five consultants who served for periods up to six months.

Most of the advisers and consultants were general economists, but there were also specialists in agricultural economics, industrial engineering, irrigation, power, social services, housing, manpower and public administration. They came from colleges and universities, governmental organizations and private business. Although most were from the United States, others came from Europe and other parts of the world. The level of competence was high, although none of the first advisers had had planning experience in underdeveloped countries. Advisers' working arrangements within the Board were flexible and designed to meet needs as they arose. While there was a Chief Adviser, who headed the Harvard Group, each adviser was assigned to a specific section and considered himself an employee of the Board and responsible to its Chairman. Since the advisers held regular meetings amongst themselves to exchange ideas and to synchronize their approach to problems, they were more than a mere collection of individual advisers. But they did not operate as a team in the sense that they prepared joint proposals for collective presentation to the Board.

¹⁹ National Planning Board, *The First Five Year Plan*, p. 103.

Some advisers were able to restrict their activities to an advisory role, but most found it necessary to work, in greater or lesser degree, on the same tasks as the Pakistani staff members. Rarely and then only temporarily did an adviser in fact act as head of a section. The system worked well. The Advisory Group was accepted, both within the Board and within the Government, as a useful component of the central planning organization. The Advisory Group attributed this acceptance, in part, to the fact that it was not subject to direction or control by a foreign government.

The Harvard Group started out with three objectives. The first was to help the Planning Board prepare a five-year development plan for the country; the second, to organize and train on the job Pakistanis to staff a central planning body which could, without outside assistance, carry out research and other activities required of such an organization. The third objective was to provide advice to the Government on current economic, financial and fiscal policy.

During the first three years of the Harvard Group's activity, when the Planning Board was concentrating on the preparation and, later, the revision of the First Five Year Plan, no attempt was made to start a training program for the Pakistani staff. Since advisers worked closely with their Pakistani colleagues, the advisers were often able to impart, by example, precept, criticism and discussion, knowledge which gradually improved the ability of individual staff members to cope with planning problems. Such transfers of information and technique were perforce incidental to operational activities. It was generally the more advanced Pakistanis who learned most from their working association with the advisers, while those who had less education and training and had more to learn were usually unable to profit as much from informal and unsystematic discussions with the advisers.

Under pressure to produce a good plan, advisers often yielded to the immediate advantage of doing the work themselves. In many instances, there was no choice since some sections of the Board had no Pakistani staff members or only a few inadequately trained junior professionals. The Chairman of the Planning Board himself wrote several chapters of the Plan and other sections were written by Pakistani staff members. Nevertheless, the tendency of advisers to

do the substantive work themselves resulted in the Harvard Group preparing most of the important sections of the Five-Year Plan. With the advisers doing much of the work, the Board also had less incentive to respond to the Harvard Group's pressure to set up suitable recruitment, salary, promotion and other personnel policies for attracting and building up a competent Pakistani professional staff.

The original agreements of the Ford Foundation, Harvard University and the Planning Board provided for the termination of the Advisory Group's services in August 1955. When it was seen that the Plan would not be completed by that time, the contracts were extended for two years to August 1957. They were again extended until August 1960 because, when the first extension period expired, the permanent staff was not yet qualified to carry out the Board's functions without outside assistance. By 1957, however, it had become clear that if the Planning Board was to become a viable institution the training objective, which, until then, had been subordinated to the operating function, would have to be given precedence.

In order to help persuade the Government to make the Planning Board permanent, the Harvard Group had taken the position that it would arrange for foreign training for members of the Board's staff only after the Board had been made permanent. Otherwise, it was contended, there would be no assurance that foreign training would not be wasted on employees of a temporary planning body which might cease to exist at any time. There is no evidence that this position, commendable though it was in intent, helped hasten the day when the Government made the Board permanent in April 1957.

From the beginning, the Harvard Group had considered training important and had tried to get the Government to recognize its necessity, but the Government and the Board were more interested in the advisers' help to produce plans. From 1957 on, the members of the Harvard Group made a conscious attempt to limit themselves to advisory roles. Although advisers were able to achieve some reduction in the amount of substantive work they did, in many cases it proved difficult for them to avoid accepting operational assignments, either when these were beyond the capacity of the staff or

when urgent time schedules had to be met. For these reasons, the advisers also did most of the work on the annual development programs which eventually provided a basis for executing the First Plan.

The Advisory Group was unable to resolve satisfactorily the conflict between doing the work themselves and acting as "in-service" teachers to the staff of the Planning Board. Nor would it have been reasonable to expect a different result, given the pressures on the Board to turn out competent work on schedule and the Board's failure to engage an adequate number of competent Pakistanis. The foreign training program which the Ford Foundation and Harvard University started in 1957 provided training abroad for about 20 Pakistanis²⁰ and night school courses in public administration, economics, accounting and other subjects at the Institute of Business and Public Administration in Karachi for 10 or 15 mostly junior staff members. In addition, the Institute of Development Economics, which has been aided by a Ford Foundation grant, is providing a course of training for staff who have inadequate professional education. The Institute also gave a two-month training course in development planning in 1962 which some staff members of the central planning body attended. Nevertheless, no in-service training program for the bulk of the planning agency's staff was ever established.

By the end of 1957, the Advisory Group had substantially achieved its first objective to help the Planning Board produce a development plan for Pakistan. But it had not fulfilled its second objective to help create a central planning agency with a self-sustaining professional staff. There were several reasons for this, notably the lack of both political backing for, and consistently strong leadership in, the Planning Board, with its consequent low status and its archaic personnel policies. In addition, the failure to provide a systematic in-service training program for the professionals on the Board's staff, the great majority of whom were poorly trained and inexperienced, must also be considered a significant

²⁰ In the latter part of 1962, short-term training abroad for Pakistani staff members was abandoned in favor of long-term training up to the Ph.D. degree for a few members of Pakistani staff who show promise.

factor. An in-service training program for poorly qualified personnel would have had to be conducted at an elementary level and might have yielded only limited results, but without it little could be done to raise the competence of most of the staff.

The Advisory Group had only limited success during the First Plan period in achieving its third objective: to furnish advice to the Government on economic, financial and fiscal policies. The Planning Board, and through it the Harvard Advisory Group, were able to provide the Government with sporadic counsel on some policy matters, not only in connection with the Plan, but after its completion, when the annual development programs were under consideration. Nevertheless, the concern with operations, as well as the Board's low prestige, also inhibited the Advisory Group from giving advice to the Government on current policy questions. No formal machinery existed through which the Board's opinions on policy matters could be conveyed to the Government or the ministries concerned. Nor was it the practice of the Government or the ministries to consult informally with the Planning Board when policies were being formulated on tariff adjustments, industrial incentives and controls, agricultural promotion, fiscal and credit measures, the negotiation and use of foreign aid and other subjects which influenced the successful implementation of the Plan no less than public investment decisions.

There had been no expectation at first that the advisers would be stationed elsewhere than in the Planning Board in Karachi, but it soon became apparent that the weak provincial planning agencies would not be able to play a meaningful role in the planning process without outside technical assistance. The Planning Board sought as early as the fall of 1955 to persuade each of the Provincial Governments to accept Harvard advisers to help with provincial planning. In the spring and summer of 1956, two advisers were stationed in each of the two Provinces to work with their respective Development Commissioners. In East Pakistan, the Provincial Government, which made no secret of its suspicions that the Central Government and the National Planning Board would not give East Pakistan what it considered a fair share of development resources, did not officially accept the advisers stationed in Dacca until the

advisers had been working, often under frustrating conditions, with the Provincial Development Commissioner for over a year.

In the absence of adequate Pakistani staffs, the advisers of both Provinces had to do much of the work on the provincial development plans. They also acted as advisers to provincial officials when they met with the National Economic Council, the National Planning Board and the Ministry of Finance in Karachi. The two advisers in each Province undoubtedly contributed significantly to provincial planning activities by doing the substantive work, but they were too few to fill the gap in provincial planning personnel and their contribution was necessarily limited and transient. The shortage of staff in the provincial planning departments made it virtually impossible for the advisers to make a more lasting impact on provincial planning by training Pakistanis in the use of appropriate planning techniques. In the provincial operating departments, a substantial amount of technical assistance, furnished by the United Nations, the UN Food and Agriculture Organization, the Colombo Plan Organization, the United States Government and others, was available to help them overcome their serious problems of project preparation and execution. In some cases, foreign technicians were able to make contributions toward the preparation and execution of specific projects. But, in general, the departments made only intermittent and haphazard use of the available foreign technicians and the long-term results were disappointing.

The lack of Pakistani counterparts to the existing advisers in Lahore and Dacca, as well as political instability and administrative disorganization, made it seem preferable at first to limit the number of advisers in each Province to two, and to concentrate advisers and consultants in the Planning Board in Karachi. By 1959, it was found desirable to increase the number of advisers in East Pakistan, where the need for technical assistance was especially great. However, its attempts to have two additional advisers stationed in Dacca were unsuccessful until 1962. West Pakistan might also have benefited from the use of additional advisers but civil servants in that Province were less inclined than those in East Pakistan to utilize the advisers' services. It is now clear that in the case of Pakistan, with its two widely separated and distinctive regions, better results could

have been achieved if more advisers had been stationed in the Provinces from the beginning.

Although the Harvard Group recommended that programing units be set up in the operating ministries and departments and that basic reforms be made in the budgeting procedures of the Ministry of Finance, the scope of the Advisory Group's technical assistance activities was not enlarged to encompass either the operating agencies or the Ministry of Finance. As will be seen later, central and provincial executing bodies were weak in the preparation and execution of projects and programs and there were critical defects in budgetary procedures. The Advisory Group, as well as the Resident Representative which the World Bank maintained in Pakistan, urged that foreign technical assistance be obtained to establish programing units in executing ministries, departments and agencies, and to improve budgetary procedures of the Central Ministry of Finance and of the Provincial Finance Departments. Foreign technicians provided by the United Nations and its specialized agencies and by the United States Government, helped prepare and execute individual projects and sometimes made suggestions for improving budgetary practices. But there was no correlated and continuing program, such as there was for planning, to provide a coordinated corps of advisers to help establish programing units in executing bodies and to improve budgetary procedures.

The Planning Board had no control over the selection and use of foreign technical assistance by the Government, the coordination of which was the function of the Ministry of Economic Affairs. At best, the Ministry tended to coordinate technical assistance activities indifferently. Since it was not completely sympathetic to the purpose of the Planning Board and the goals of the Plan, it did not actively seek to obtain and place technical assistance where it was most needed to implement development projects and programs. Moreover, such technical assistance as was made available was generally utilized only sporadically and ineffectively, partly because operating bodies did not know how to make efficient use of technicians and partly because the technical assistance furnished was not always sufficiently competent or experienced to cope with the problems encountered. Consequently, the over-all impact of tech-

nical assistance for implementing the Plan fell far short of the need. This was in considerable contrast to the more successful activities of the Harvard Advisory Group, whose advisers were carefully selected and supervised and whose effective utilization was assured through continuing efforts of the Group's sponsors to coordinate the entire operation. In retrospect, therefore, it appears that had such a coordinated program of technical assistance been provided to establish programming units in executing agencies and to improve budgetary procedures, even if this had involved some reduction in the refinements employed in the preparation of the Plan, the ultimate results would have been better.

FORMULATING THE PLAN

In determining the magnitude of the Plan, the planners had to choose between approaching the problem from the point of view of the country's requirements or of its available resources. If requirements were stated as a series of targets for increasing output, national income, employment and so forth, it would be possible to fix the financial size of the Plan by estimating the amount of domestic and foreign resources needed to achieve the targets. The second approach would involve estimating the maximum amount of domestic and foreign financial resources which the country was willing and able to invest and planning the distribution of these resources among the various sectors of the economy in such a way as to bring the most desired results. The planners considered the first approach unrealistic, since targets set without regard to available resources could lead to serious inflation or to the imposition of stringent controls. In emphasizing the second approach, however, the planners attempted to estimate available resources using the assumption that every possible effort would be made to increase them.²¹

The lack of information in many important fields and the inadequacy of those statistics which were available seriously handicapped the preparation of the Plan. Most of the statistics available for

²¹ *The First Five Year Plan*, pp. 73-74.

planning purposes were defective. Much of the information needed did not exist. For these reasons, many estimates were little more than rough guesses.

The Plan itself was formulated through a series of successive approximations by which available resources were compared with the claims upon them:

1. Public financial and real resources were first estimated on the basis of existing official policies and programs, as well as on the assumption that they would be increased by a reasonable rise in the rate of taxation and by other means. Foreign exchange receipts were estimated by means of projections of export earnings and import payments, using available information on both past experience and future prospects. Total private investment resources were determined from estimates of potential private savings after allowing for resources to be mobilized by the public sector. To obtain this information, the Board conducted surveys, including the first systematic estimate of private savings ever made in Pakistan, and held discussions with business and industry leaders.
2. A preliminary division of the total resources under government control was then made among the major sectors of the economy.
3. For the private sector, estimates were made of resource requirements and expected returns based on past investment, production and forecasts of demand.

For the public sector, an attempt was made to select the most productive projects. Most of these projects were already under way. Others were proposals invited by the Planning Board. Some of the projects were fully engineered and well conceived, but because of the general inadequacy or absence of planning and programming staffs in the Provinces and in the central ministries and agencies, many projects were not supported by a proper appraisal of their technical feasibility, real costs and benefits or the administrative and technical arrangements required for their implementation and subsequent operation. Some projects were little more than unproved ideas. There were also many important fields where no projects were submitted. In the absence of basic information, the Board often found it difficult to make sensible decisions on the usefulness and priority of projects received. The Board's officers and

staff tried to meet the problem by visiting provincial capitals, central ministries and development sites and by discussions with the authorities concerned. In several sectors, e.g., agriculture; industry, telecommunications and social welfare, projects and programs were examined with the help of mixed advisory panels. The Board also filled some gaps with proposals of its own or, especially for East Pakistan, by setting aside block allocations in the Draft Plan for projects to be prepared later.

This was hardly the best way for the Planning Board to operate. The Board would have preferred the ministries and provincial departments to prepare and submit projects and programs for each sector of the economy and for each Province, giving their views on the objectives for the respective spheres and on policies required to achieve these objectives. This procedure would have permitted the Board to concentrate on assessing total resources, formulating national policies, determining priorities, selecting the best pattern of investment and coordinating the various development projects and programs into a national plan, activities which it correctly considered more appropriate to a national planning organization. However, "no such ideal arrangement was possible during the preparation of this Draft Plan."²² Instead, the Planning Board found it necessary to spend much of its time examining several hundred projects, improving some, discarding others and, where important gaps became apparent, sponsoring the initiation of projects.

4. The various sector programs built up with available projects were next subjected to feasibility tests to determine what factors, technical, technological, institutional, and especially administrative and organizational, would limit execution of the programs. Revisions were made in sector programs in the light of these tests.

5. Tests were also applied to sector programs to determine whether their requirements were consistent with expected supplies of local goods and services, foreign exchange and technical and other scarce resources.

6. Comparisons were then made of the marginal prospects in each sector on the basis of expected costs and returns from investment,

²² Planning Board. *The First Five Year Plan, 1955-60 (Draft)*, p. ii.

and successive revisions were made to take advantage of better alternatives. Because of limitations in data, "these calculations were not very fancy"²³ and were, besides, necessarily subjective in many instances.

7. Even after these steps had been taken, the total amount required to implement the proposed plan was greater than the foreseeable resources. The planners believed, correctly as events proved, that it was unrealistic for a planned effort on the scale contemplated to be achieved fully by 1960. They did not, however, reduce proposed expenditures to the level of estimated resources by eliminating projects since this would have posed political problems. Instead, they estimated that over-all expenditures would fall short of expectations by 15 percent. In this way, proposed investment outlays were brought into line with expected financial resources.

In giving the Planning Board a mandate to prepare a five-year plan, the Government had set no specific objectives of official development policy. The resolution establishing the Board had stated that:

The economic and social objectives of Government's policy are well-known. They are to develop the resources of the country as rapidly as possible so as to promote the welfare of the people, provide adequate living standards, and social services, secure social justice and equality of opportunity and aim at the widest and most equitable distribution of income and property.²⁴

²³ Mason, Edward S., *Economic Planning in Underdeveloped Areas: Government and Business*. New York, Fordham University Press, 1958, p. 78. Cf., also, Bell, David E., "Allocating Development Resources: Some Observations Based on Pakistan Experience" in *Public Policy, A Yearbook of the Graduate School of Public Administration*. Harvard University, Cambridge, Mass., 1959, p. 86 ff., on the problems encountered in allocating resources among marginal projects where no marketable product was involved, where data were scanty and where multiple objectives intervened. After describing the inherent limitations and the unreliability of the available statistics, Mr. Bell, who was the first Project Field Supervisor of the Harvard Advisory Group in Karachi, observed: "This is a formidable list of deficiencies in the data. It meant that only in two or three dozen cases—principally large-scale industrial projects in the public sector—could comparative returns be calculated on alternative investments. And even in these cases important elements of cost or return were usually missing and the data that were available were somewhat unreliable . . . [However] . . . even though the projects for which data were available were few in number, they were mostly large. Together they accounted for perhaps 30 percent of the total outlay proposed in the Plan."

²⁴ Planning Board. *The First Five Year Plan (Draft)*, p. i.

But this statement was too general to guide the Board in setting priorities and allocating resources.

Left thus to its own devices, the Planning Board produced five objectives for the proposed plan. For these, the Chairman of the Board later obtained the approval of the Prime Minister. Heavy emphasis was to be laid on the achievement of the greatest possible increases in national income and the standard of living, but increased health, education, housing and social welfare services "justified primarily on grounds other than increasing the national income,"²⁵ were to be another objective. The three other objectives were to improve the balance of payments by increasing exports and import substitution; to increase opportunities for useful employment; and to increase rapidly the rate of development in East Pakistan and other less-developed areas of the country.

While the first four objectives posed largely methodological problems in allocating resources,²⁶ it was the fifth objective—which implicitly recognized the need for increasing East Pakistan's rate of growth until the average standards of living in the two Provinces were approximately equal—that created critical political problems for the Planning Board.

Before Partition, the area which later became East Pakistan was a largely undeveloped region with a stagnant agricultural economy and virtually no industry. It had almost no harbor facilities and its communication system converged on Calcutta. There had been no development of the area before independence, nor were there any plans for its development at the time of Partition. On the other hand, West Pakistan had had a number of power, irrigation and industrial projects carried out and others were planned. Although both Provinces lacked administrative and technical experience, East Pakistan was especially weak in this respect. At the time of independence, therefore, East Pakistan was much less developed than West Pakistan.

²⁵ National Planning Board. *The First Five Year Plan*, p. 71.

²⁶ In general, where there was a conflict of interest between the national income and employment objectives, preference was given to the former; on the other hand, in the few cases where conflicts arose between the national income and balance of payments objectives, the Board generally gave priority to the latter. Cf. David Bell, "Allocating Development Resources, etc."

After independence, West Pakistan, with its larger area, mineral and hydroelectric potential, and with a greater number of projects and technical and administrative personnel to execute them, continued to develop at a faster rate than East Pakistan. West Pakistan had most of the industrial entrepreneurs and skilled workmen, largely refugees. It regularly received from the Central Government the greater part of Pakistan's available investment outlays, and since seven-eighths of the Muslim refugees from India had come to West Pakistan, it also received much larger sums than East Pakistan to resettle refugees. Although investments in East Pakistan were rising, West Pakistan's receipt of a larger share of funds from the Central Government appeared discriminatory to East Pakistan. A considerable amount of resentment developed in East Pakistan as a result and:

the economic disparity between the two Wings of the country had become by 1953 an explosive political issue in the less favored East Wing and geographical parity had become the clear policy of the national Government.²⁷

In order to promote more rapid development in East Pakistan, the Board had included in the Plan some projects in that Province which were expected to yield lower returns than some in West Pakistan which had been excluded from the Plan. In taking this action, the Board felt that a modest restriction of the rate of growth was not too big a price to pay for bringing about a better balance in the country's geographical distribution of income. However, the Board did not include in the Plan many other proposals from East Pakistan on which yields were expected to be so low that they would seriously restrict the planned increase in national income. Instead, the Board made a block allocation of Rs. 1 billion to East Pakistan in the expectation that suitable projects would be presented later. "This was of course an evasion of the issue, or rather a postponement."²⁸ The addition of a special reserve for East Pakistan helped increase estimated investment outlays in the Plan well above expected receipts and largely accounted for the inclusion in the Draft Plan of the estimated shortfall of 15 percent previously mentioned.

²⁷ David Bell, "Allocating Development Resources, etc.," p. 104.

²⁸ *Ibid.*, p. 105.

As events were to prove, the expected shortfall was well below the actual.

THE PLAN'S PROVISIONS AND PUBLICATION

The Draft Five Year Plan, covering the period April 1, 1955 to April 1, 1960, was completed in the autumn of 1955, but its release was delayed by the Prime Minister because he was concerned lest East Pakistan's dissatisfaction with the Plan's allocation of resources between the Provinces exacerbate the problems surrounding the adoption of the Constitution which the Constituent Assembly had begun drafting in July 1955 and which was eventually approved in March 1956. When the Draft Plan was finally published in May 1956, more than a year of the Plan period had elapsed.

The Plan was ambitious: it envisaged a 20 percent increase in gross national product from 1955 to 1960. With population estimated to increase by 7.5 percent over the five-year period,²⁹ per capita income was expected to rise by 12.5 percent. Agricultural output was to increase by 13 percent with foodgrain production rising by 9.3 percent, making the country self-sufficient in food by 1960. Irrigation, drainage, flood control and reclamation facilities were to bring 1.8 million acres of new land under irrigation and to reclaim from salinity and waterlogging, or to otherwise improve the water supply of, another 5.1 million acres of land. Industrial production was to increase by almost 75 percent. The balance of payments deficit was expected to decline sharply by the end of the Plan period as a result of rising exports and declining nondevelopment imports. It was estimated that the number of new jobs created during the Plan period would roughly equal the expected rise in the labor force. To accomplish these objectives, the Plan proposed continually rising development outlays totaling Rs. 11.6 billion of

²⁹ According to the Deputy Chairman of the Planning Board, it was surmised that population was growing faster than this, but it was felt that the growth of population had to be understated in the Plan in order "to keep despair away." Said Hasan: Address of Welcome to the Seminar on the Problems of Population Growth and Economic Development with Special Reference to Pakistan, *Summary Report*, The Institute of Development Economics (Karachi), 1960, p. vii.

which Rs. 8 billion would be in the public sector³⁰ and Rs. 3.6 billion in the private sector.

In response to the Planning Board's invitation, the Draft Plan was studied and discussed by various agencies and other units of the Central and Provincial Governments and by chambers of commerce, industries, universities, learned societies, trade unions, co-operative societies and the press. On the basis of the conclusions which emerged from these discussions, as well as changes in the economy which had taken place since the start of the Plan period, the Draft Plan was revised by the Planning Board.

During the review period, it had become apparent that actual public investments would be less than planned because revenues would be lower and nondevelopment expenditures higher than had been estimated originally. In addition, shortages of managerial, technical and administrative personnel and deficiencies in public administration had proved to be greater than the planners had expected. Actual performance during the first two years of the Plan period had also made it plain that a 20 percent increase in gross national product could not be realized in the circumstances. As revised, therefore, the Plan provided for a reduction in expenditures from Rs. 11.6 billion to Rs. 10.8 billion and for a 15 percent increase in gross national product instead of 20 percent. Public expenditures were now expected to account for Rs. 7.5 billion,³¹ while private expenditures would amount to Rs. 3.3 billion.

The Plan in its final form, a monumental work of about 500,000 words, was an exceptionally well written and comprehensive model of its kind. In addition to dealing with the global and sectoral aspects of the Plan itself, the document was virtually a primer on planning, planning organization and the problems facing the public service in implementing a national development plan. It made detailed recommendations and pleaded forcefully for basic land

³⁰ Approved public projects were estimated to total Rs. 9.2 billion, but the expected shortfall of 15 percent was expected to reduce actual public investments by Rs. 1.2 billion to Rs. 8 billion.

³¹ The total of approved public projects in the Plan amounted to Rs. 9.3 billion, approximately the same as in the Draft Plan, but a larger shortfall in expenditures (about 20 percent) was now expected to reduce actual public investment to Rs. 7.5 billion.

reforms, legislation, administrative decisions and governmental re-organization required in the Center, in the Provinces, and locally to put the Plan into effect. It made an especially strong plea that the Plan be brought to the people.

The process of reviewing, revising and adopting the Plan had been expected to take two or three months but, mostly because of the unstable political situation, the Plan as revised was not considered by the newly created National Economic Council until almost a year after the Draft Plan had been published and two years after the Plan period had begun. The National Economic Council had been established at the end of 1956 pursuant to the Constitution of that year as an advisory body to the Government.³² Its main responsibilities were to review the country's economic position and to formulate plans for financial, commercial and economic policies with the aim of insuring that uniform standards were attained in the economic development of all parts of the country. The Council had 11 members: five ministers from the Central Government, including the Prime Minister, who was *ex officio* Chairman of the Council, and three ministers from each Province. The Chief Minister of the Province was included in each provincial delegation.

During the National Economic Council's consideration of the Plan, the discussion centered on objections by East Pakistan's representatives to the Plan's division of resources between the two Provinces. The East Pakistani representatives argued that the lump allocations for their Province provided no assurance that projects equal to the reserve in the Plan would later be approved by the Government.³³ They also claimed that they could be ready with

³² The National Economic Council should not be confused with the Economic Council (Cf. No. 5 in Appendix), which was really an economic committee of the Cabinet set up early in 1951 as part of the central planning machinery to implement the Six Year Development Plan. Upon the creation of the National Economic Council in 1956, the former Economic Council was renamed the Economic Committee of the Cabinet (See No. 7 in Appendix).

³³ A number of projects totaling Rs. 300 million received by the Planning Board from East Pakistan after the Draft Plan was published had been included in the revised Plan and the reserve of Rs. 1 billion had been reduced correspondingly. The balance of the reserve of Rs. 700 million had been allocated in the revised Plan to specific fields (e.g., agriculture, water and power development, village agricultural and industrial development, etc.) for projects to be prepared at a later time.

projects sooner than the Planning Board expected and therefore wanted their lump sum allocations granted to specific projects in the early part of the remaining three years of the Plan period and not in the later part, as proposed by the Planning Board. They pointed out, moreover, that the Plan did not make an equal division of available resources between the two Provinces and that no provincial division had been made of the funds which the Central Government would expend under the Plan.⁸⁴

The Council "settled" the matter by an agreement that in the remaining three years of the Plan period, when a "reinforced effort" would be made to achieve the Plan's targets to overcome the lag in the first two years, allocations between the two Provinces would be approximately equal. The Council stated that "In Pakistan's conditions, particularly in a situation of recurrent food shortages, no reliable estimate of resources available for development can be made for periods longer than a year."⁸⁵ The equal division of resources was therefore to be detailed in annual development programs which, within the framework of the Plan, were thereafter to form the real basis for action.

The annual development programs were to be formulated in the light of expected financial resources and of the available supply of properly prepared projects, capable of implementation. The programs were to be incorporated into the annual central and provincial financial budgets for the public sector and were to provide guidance for developmental activity in the private sector. On the basis of periodic progress reviews, resources were to be diverted from sectors and projects which were lagging to others which showed better promise, with the aim of fully utilizing all resources.

The East Pakistani representatives hoped the annual development programs would benefit their Province by quickly converting

⁸⁴ The revised Five-Year Plan improved the balance of allocations in favor of East Pakistan, but the proportion it was to receive was still not equal to West Pakistan's share. Thus, East Pakistan's share of total public expenditures had been increased from 33 percent of the total in the Draft Plan to 43 percent, but West Pakistan's share had risen from 38 percent to 50 percent, reducing the Central Government's proportion from 30 percent to only 7 percent of total estimated public outlays.

⁸⁵ "National Economic Council Statement on the Five Year Plan, 1955-60," *Report of the National Economic Council for the Year 1957/58*, p. 25.

their unallocated reserve into allotments for specific projects which they believed they could produce. The West Pakistani representatives were convinced that the annual development programs would make it possible for their Province to obtain funds which they felt East Pakistan would be unable to use because of a lack of well prepared projects, while the National Planning Board favored the annual development programs as a means of giving effect to the Five-Year Plan. With these differing views of the same set of facts, the Council was finally able to accept the Plan. After the compromise solution was arranged, but with little consideration of the Plan's other basic issues, the Council voted to recommend that the Government approve the objectives, targets and programs in the revised Plan. However, frequent changes in Government postponed final publication of the Plan until more than three years after the Plan was supposed to go into effect.

From the time the Planning Board was established in July 1953 until October 1958, when the military took charge, Pakistan had five Prime Ministers. None was ever in secure control of the Government. The political maneuverings which preceded and followed each change in Government and the constantly shifting coalitions prevented leaders from giving sustained support to the Plan and its objectives. Perhaps the last of the five Prime Ministers, just before he authorized the Plan's publication, revealed best the low importance of the Plan when he confessed four months after he had assumed office:

I was staggered to learn that until a few days ago the Five Year Plan had not even been authenticated by the Government for publication. With hardly two more years to go, the Plan continues to be regarded as routine departmental file, meant only for recording of prolific notes and cross-notes. Even a properly coordinated machinery for the implementation of the Plan has not yet been evolved.³⁶

³⁶ Address of the Prime Minister at Multan, 24 April 1958, as quoted in Ahmad, Mushtaq, *Government and Politics in Pakistan*, Karachi, Pakistan Publishing House, 1959, p. 68.

IMPLEMENTING THE PLAN

While the implementation of the Plan as a whole was greatly delayed, execution of many projects in the Plan went forward because they had been included in annual financial budgets from 1955/56 onward. Indeed, about two-thirds of the Plan consisted of projects which were in various stages of execution at the beginning of the Plan period. As the introduction to the Draft Plan pointed out, "necessarily, therefore, the Plan in its early years must largely reflect the pattern of the development already under way."³⁷ Nevertheless, the pace of the Plan's implementation was slow in the first three years.

The Plan and the Budget

Since two-thirds of the projects in the Plan were already in various stages of execution when the Plan was drafted, the capital section of the Central Government's annual budget was bound to reflect the Plan in some ways. The Planning Board prepared recommendations on the size and composition of the annual development program for inclusion in the Government's budgets for 1955/56 and 1956/57, which were largely accepted by the Minister of Finance. Nevertheless, for the first two years of the Plan period, there was little attempt to coordinate the Plan with the annual Budget.

The budgeting procedure followed by the Ministry of Finance tended to impair the authority of the national financial budget as a means of financial control. The Ministry customarily incorporated into the budget requirements submitted by ministries and departments which it knew were unsound or projects which it knew were not ready because it had come to discount them. After approval of the Budget, the Ministry relied instead on its subsequent scrutiny of all proposals before it allowed any expenditures to be made. Since a project's inclusion in the Budget and an allotment for it gave no assurance that the Ministry of Finance would later approve expenditures to carry it out, the Ministry and the operating bodies

³⁷ Planning Board, *The First Five Year Plan (1955-60), Outline of the Plan (Draft)*, Vol. I, p. ii.

considered the system by which the Ministry approved expenditures after the Budget was approved far more important than the original budgetary allocations. Consequently, operating bodies made little effort to submit accurate budget requirements when the Budget was being prepared and generally made exaggerated demands for funds. This led, in turn, to indiscriminate budget cutting by the Finance Ministry and the substitution of bargaining and haggling between the Ministry and the operating bodies for rational consideration of projects.

In order to reduce expenditures to the level of foreseeable resources and to curb irregularities, the Ministry had evolved a complicated system for approving expenditures following budgetary allotments, consisting of a series of time-consuming multiple checks, which required a great deal of useless paper work. This system permitted the Ministry to probe deeply into every detail of each proposal and frequently to go beyond financial considerations. The expenditure approval system created an illusion of tight central control, with the Ministry of Finance as the sole guardian of the Treasury. In fact, the system did not constitute effective control because decisions on the expenditure of public funds were actually taken in the operating ministries and agencies. The system did, however, succeed in shifting responsibility for the cost and progress of the project from the project supervisor or director to the anonymity of the central staff. It also resulted in considerable delays which the Planning Board contended made it take "about a year for the average provincial scheme requiring central review to emerge from the sanctioning machinery."³⁸

In some cases, the Ministry's procedures resulted in retarding work, at great cost, on projects for which funds were not forthcoming in time to take advantage of construction seasons. This was particularly true in East Pakistan, where the construction season is very short. In other cases, costs increased because of the deterioration of materials or because supplies could not be obtained when needed. In a review of the Plan's implementation during its first four years, the Planning Commission (which replaced the Planning Board in October 1958) stated:

³⁸ National Planning Board, *The First Five Year Plan*, p. 95.

Among the explanation of shortfalls in accomplishment most commonly set out in evaluation studies, the uncertainties, delays and inadequacies of the sanctioning process stand out. The Planning Commission and the Finance Ministry complain the proposals are not well thought out and adequately supported. The Ministries and Departments blame their lack of interest in the budget and sanctioning process on the fact that the actual decision making tends to be of an *ad hoc* nature on individual expenditures.³⁹

The Plan had stressed the need for reforming the budgetary procedure in specific ways to increase its effectiveness in achieving national objectives. Little was done during most of the Plan period to carry out this recommendation.

Beginning with the third year of the Plan period, after the National Economic Council had approved the revised Plan and had stressed the role of annual development programs in implementing the Plan, the Ministry of Finance made a greater effort to relate the Plan to financial budgets. From 1957/58 onward, the Planning Board prepared each year an annual development program which was used as a basis for discussion with the Ministry of Finance and with the Provincial Finance Departments to prepare the capital sections of their financial budgets.

The annual development programs were expressed in financial terms and made no attempt to relate expenditures to physical targets. Nor did they contain information on how much had already been spent on the projects included or how much these might be expected to cost when completed. They were, in fact, little more than lists of projects with amounts to be included in the financial budgets. The annual development programs permitted the National Planning Board to propose allocations of expenditures which generally conformed to the Plan's objectives, but flexibility was greatly limited because pressure from central ministries and Provincial Governments made it necessary to allot most of the available funds to projects already in progress, some of which were of dubious priority.

It was perhaps inevitable that in Pakistan, where the demand on

³⁹ Planning Commission. *First Five Year Plan. Preliminary Evaluation Report*, p. 42.

financial resources greatly exceeded available quantities, Finance should become the dominant Ministry in determining development expenditures. The Planning Board was frequently able to influence the size and trend of budgetary development outlays;⁴⁰ but the Minister of Finance always made the final decision. This was also true of foreign aid and technical assistance, when between 1958 and 1961 the Economic Affairs Division of the Finance Ministry, rather than the central planning agency, coordinated these activities for the Government. When differences of opinion arose about the need for aid or technical assistance, it was the budgetary instead of the developmental and planning view which generally prevailed.

The Planning Board's ineffectiveness in dealing with the Ministry was partly due to the Board's staff being too small to prepare adequate annual development programs. However, as one of the Harvard advisers has pointed out, the more important factor was the separation of the planning function from the budgetary process. As a result:

If the [Finance] Minister's 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. When this determination was made, however, the planners might not be represented; if represented, they did not have a vote . . .

. . . In some cases, where the planners had disapproved a project, the Minister of Finance cited their refusal in justifying a denial of public funds. But political and bureaucratic pressures often proved to be more persuasive than the provisions of the development program . . . 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. Crucial fields, such as agriculture and education, had to do with less. The [annual] development programs thus were honored in the breach as well as in the observance. Priorities were

⁴⁰ Thus, in deciding on the 1957/58 Budget, the Minister overruled his own staff to accept the Planning Commission's estimates.

ignored; budget decisions made in June distorted the planning decisions made in May.⁴¹

The Development Working Party

Repeated complaints by sponsors of public development projects, notably the Provincial Governments, about the involved and time-consuming procedures which had to be followed to get the Central Government's approval for projects, as well as the accumulation of a large backlog of pending projects led to the abolition of the Planning Commission and its replacement by a Development Working Party empowered with streamlined procedures to approve projects. The Development Working Party was composed of representatives of the Ministry of Economic Affairs, the Ministry of Finance, the National Planning Board and the Central Ministry concerned, as well as representatives of the provincial or other authority sponsoring a project under consideration. It tried to clear a project within a maximum period of three months by getting all the central ministries and agencies concerned to review projects jointly and simultaneously rather than in successive stages, as was the usual practice.

The Development Working Party was at first able to increase the speed with which projects were considered, but difficulties soon arose which slowed it down. The Working Party's rules provided that meetings would ordinarily be presided over by the Secretary or Joint Secretary, the highest or second highest civil servant of the Ministry of Economic Affairs, and that only senior officials authorized to make decisions on projects under consideration would represent the other ministries and agencies. Neither of these requirements was met. The Ministry of Economic Affairs, which provided the Working Party's Secretariat, appointed as Chairman of the Working Party a junior civil servant who had no power to make final decisions. As a result, senior representatives from the other ministries and agencies who had attended meetings at first were soon replaced by lower level civil servants who generally were only authorized to state the position of their organizations. The Ministry

⁴¹ Wilcox, Clair, "Development Planning and Programming in Pakistan" in *Planning Economic Development*, Hagen, Everett, Ed. (to be published in September 1963), Chapter 3, pp. 23-25 (manuscript).

of Finance also refused to accept the Working Party's decisions as final and insisted on making a second review of its own. Even after projects had been cleared by the Working Party and the Ministry of Finance, meetings of the Economic Committee of the Cabinet, which made the final decision on projects, were frequently not held until long afterward.

Public Administration

In both the Draft Plan and the final version of the Plan, the Planning Board had warned that:

the inadequacies of Pakistan's administrative machinery will operate as the most serious single impediment to the maximum economical use of the country's financial and material resources . . . [and] . . . the pace of implementation of economic and social programmes is likely to be governed . . . more by the capabilities of the nation's administrative and technical organization . . . [than by] . . . the magnitude of resources . . .⁴²

The Board considered that its view was correct because the various central and provincial agencies were finding it difficult to utilize fully the budget allotments to their programs, with the result that actual expenditures often fell short of amounts allocated.

There were also other indications that Pakistan's administrative machinery, both at the Center and in the Provinces, would encounter grave difficulties in carrying out the Plan. In almost every field, and on all levels, there were great shortages of trained technicians and administrators to implement the Plan. There was a lack of organizations with sufficient staff and experience either to prepare or execute development projects.⁴³ In the case of many projects, the shortage of trained manpower or experienced organizations, rather than the lack of finance, limited the speed of execution.

⁴² Planning Board, *The First Five Year Plan (Draft)*, p. 100 and National Planning Board, *The First Five Year Plan*, pp. 91-92.

⁴³ Three years after the inception of the Plan period, projects were not yet available or had not been finally approved for 83 percent of proposed gross public expenditures of Rs. 9.3 billion under the Plan (cf., *The First Five Year Plan*, ff. to Table I, p. 15). This was only partly due to the slowness of the sanctioning machinery.

While official policy favored development, there was in many parts of the Government an unavowed attitude which regarded development activity as being of secondary importance. This manifested itself in lower pay and less advantageous conditions of service for personnel serving in some development departments and in the fact that junior officials were often assigned to deal with these departments. Functions were haphazardly allocated among operating departments so that different aspects of one project were often handled in several departments. This fragmentation of responsibilities, as well as the proliferation of organizations, made it difficult to coordinate the implementation of many projects. There was, moreover, unwillingness at higher levels to delegate powers and unwillingness at lower levels to use the few powers which were delegated. The resultant centralized control caused the Planning Board to complain that:

This over-centralization is an ineffective and in fact a spurious form of co-ordination. 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. Apart from pervasive financial controls, which often have coordinative implications of a negative character, and the intrinsic responsibility of the Cabinet, such agencies as exist for general co-ordination do not perform this function in a comprehensive manner.⁴⁴

The Projects Division

The Draft Plan had stressed the need for obtaining information on a regular schedule which would permit the Planning Board to make a continuous record of the progress made in carrying out the Plan, appraise the results in terms of benefits achieved and make periodic reports to the Government and the public. For this purpose, the Draft Plan had proposed that formal procedures for obtaining progress reports from the executing agencies in the Center and the Provinces be set up and, in addition, that periodic visits and

⁴⁴ National Planning Board, *The First Five Year Plan*, p. 94.

inspections of work in progress on the sites be made in collaboration with the executing bodies concerned.

The recommendation that the central planning organization be given authority to review and report on the progress of national plans conformed to a generally accepted principle in most countries with planning experience and was not inconsistent with the Planning Board's advisory role. However, the linking in the Plan of the progress reporting function with field inspections was generally interpreted within the Government as an attempt by the Board to get involved in operations. This led the previously mentioned Federal Reorganisation Committee to take the view that planning and supervision of implementation should be separated:

It is our considered view that to combine in a single organisation the functions of planning and implementation at the Centre would be to set that organisation 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; . . . Besides, implementation, in view of past failures and shortcomings, has become such a vital and onerous responsibility that the entrustment of work of such magnitude to a planning agency would neither be fair nor would it produce the desired results.⁴⁵

For the first four years of the Plan period, however, no effective machinery existed to follow the progress made under the Plan. Project directors sent reports to the Ministry of Economic Affairs, but they were generally poorly prepared and irregular in timing.

In October 1958, the Government approved the creation of a unit in the central planning body to act as both appraiser and expeditor of the Plan, but this idea was dropped ten months later. Instead a separate Projects Division was created in the President's Secretariat to operate under the direction and supervision of the Economic Committee of the Cabinet.⁴⁶ The Projects Division was

⁴⁵ *Report of the Federal Reorganisation Committee*, p. 6.

⁴⁶ The Projects Division was headed by a Director General and a Deputy Director General, with headquarters at Rawalpindi. The Division had Progress or Section Officers responsible for progress reports in the following sectors: agriculture, industry, health and water supply, major irrigation and power, education, transport and communications, minor irrigation, social welfare, housing and settle-

given authority to watch over and report on the execution of projects, to measure performance against estimates, especially cost estimates, to identify causes of delays and difficulties in implementing projects and to propose appropriate corrective action.

Because of delays in the receipt of reports and the shortage of staff, the Division's first Report referred "to a period which expired long ago."⁴⁷ The Report indicated that it was the aim of the Division eventually to prepare quarterly reports within one and one-half months after the expiration of the quarter to which each Progress Report related. Although the form of the Reports, their frequency and timeliness improved, the shortage of competent personnel together with the inefficient use of the available staff seriously hampered the Division in the effective discharge of its responsibilities.

Policy Making and Operations

When independence came, Pakistan had inherited a small disciplined Civil Service (CSP) which was probably better trained and superior to civil services in most emerging countries for the administration of justice, the maintenance of peace and the collection of taxes. Its great contribution was to keep governmental services going when Partition severed the new country from the former Indian Government. But by its very commitment to tradition and routine, the CSP soon showed itself unable to operate in the prevailing circumstances with the drive and initiative required to carry out the Plan:

Trained in the traditions of Whitehall, with every emphasis on probity and careful audit, the accurate answer next year if need be, not the proximate answer today, officials hate the quick decisions and inspired guesses that rapid development requires.⁴⁸

ment. The Progress Officers for agriculture and industry were posted at Rawalpindi. The others were located in Karachi. The Progress Division also had branch offices in Lahore and Dacca, each with a Deputy Director General and one Progress Officer.

⁴⁷ Projects Division. *Development Projects. Progress of Major Schemes Sanctioned by the Government of Pakistan*, p. 1.

⁴⁸ *The Economist*, (London), December 2, 1961, pp. 931-932.

As a small, elite body of public servants with a restricted intake of recruits, the CSP had its own rules, higher pay scale, perquisites and prerogatives which distinguished it from, and raised it above, the other so-called Central Services, such as the Income Tax Service and the Audit and Accounts Service. Unlike these Central Services, whose members were recruited to perform specific technical or other operational tasks, the CSP was conceived as corps of "generalists" whose members were considered qualified to work in policy-making and supervisory positions anywhere in the Government.

Since separation of policy-making from administration, defined as the execution of sanctioned policies, is a cardinal principle of public administration in Pakistan, the CSP acquired a near monopoly of the top policy-making jobs. On the other hand, the members of the other Central Services were generally in technical positions, i.e., "the execution of sanctioned policies," under the supervision of CSP members of the ministerial secretariats who formulated policy.⁴⁹

The First Plan inveighed against the prevailing divorce of policy-making and operations as unsuited to Pakistan's current needs. Whenever a developmental problem arose, it generally had to be channeled through subordinate secretariat personnel for a noting and filing process which moved through a long series of steps at lower levels. "Often there seems to be a disposition to shift the file from one office to another, or from one ministry to another. The resultant delays are sometimes unbelievably long."⁵⁰ The Planning Board felt that this elaborate process of multiple consideration for each item of business by a hierarchy of officials led to inefficiency and administrative irresponsibility:

⁴⁹ In the Government of Pakistan, the policy-making and supervisory portion of a ministry is referred to as the secretariat, while the executing agency which may be attached to a ministry is called a department. A ministry may have one or more divisions. The permanent secretary heading a division is responsible for policy formulation and the execution of approved policy. He supervises and coordinates the work of the various units and departments in his division. In the Provinces, the distinction between the secretariat and the operating sections within the provincial departments as well as between the CSP and the other services, is the same at the Center.

⁵⁰ National Planning Board, *The First Five Year Plan*, p. 118.

While most decisions move upward, many are disposed of by junior officers lacking experience, maturity or knowledge of the technical subjects with which they are dealing. By sitting in judgment on senior and mature specialist officers they often create frustration and resentment. Departmental heads in practice tend to be required to report to subordinate members of the Secretariat who are concealed in anonymity and in no position to be held accountable for their decisions. The imposition of administrative judgment over technical proposals often results in the substitution of an unqualified and irresponsible judgment for an informed one.⁵¹

Projects and Programs

The technicians' inferior status and pay seriously interfered with the recruitment and retention of specialists needed to implement the Plan. Nor was adequate provision made for the establishment of training programs to increase the supply of scarce technicians. The shortage of technicians was especially acute in agriculture. There were other important factors which accounted for failures in this sector, notably, backward agricultural techniques, poor weather, the unproductive land tenure pattern and a system of officially controlled prices for agricultural products which had the effect of curbing farmers' incentives to increase output and investment.

Officials tended to overemphasize big projects and to ignore small ones which were crucial for increasing agricultural production. In part, this could be attributed to the preference of foreign lending and donor agencies for large projects, since one large project was simpler to finance than a series of smaller ones. But the tendency of officials to concentrate on large projects went beyond the requirements of foreign aid and lending agencies. In East Pakistan, for example, the Water and Power Development Authority was excessively preoccupied with large and costly irrigation and multipurpose projects whose benefits could not accrue for many years. The emphasis on multipurpose projects often was accompanied by official concentration on the engineering aspects of these projects to the neglect of their agricultural aspects:

⁵¹ *Ibid.*

Take the crucial example of constructing large-scale, multipurpose dams. The whole scheme is minutely prepared . . . while the dam is being built, the next phase of the operation—the installation of generators and transmission lines and the building of subsidiary canals—is carried forward. Yet again and again when the canals are finished, the power available and the water flowing, the same phenomenon recurs. No preparations for irrigated farming have been made. There are no plans for land use. Feeder channels have not been built. There are no farm buildings, no roads, no warehouses, no central stores. The creative intelligence that had acted in a perfectly rational fashion in the sphere of public works seems to stop dead at the frontiers of agriculture.⁵²

A large number of projects had been started without prior approval of the Economic Committee of the Cabinet or the Economic Council. The Committee on the Review of On-Going Schemes, which the Government appointed in June 1960, to review all “on-going” projects, i.e., those in process of execution, listed 85 such agricultural, water, power, industrial and housing projects ranging in estimated cost from Rs. 2.5 million to Rs. 481 million and totaling Rs. 6,300 million.⁵³

The Committee felt it had no alternative but to recommend the completion of many projects which had “reached what may be called a point of no return . . . [since] . . . the cost of scrapping the projects or the cost of changing them may be much greater than the waste involved.”⁵⁴ The Committee included in its report an illustrative list of 27 such projects from the water, power and industry sectors costing Rs. 3.1 billion, of which Rs. 1.6 billion had already been spent. Some of these projects were wrongly conceived at the start or were based on assumptions which later proved to be incorrect; others were less desirable than formerly because unforeseen developments had changed the circumstances which had given rise to the need for the project.

For many projects, original cost estimates were exceeded substantially during execution, final costs in some cases being “as much

⁵² *The Economist*, (London), December 2, 1961, p. 935.

⁵³ Planning Commission. *Interim Report of the Committee on the Review of On-Going Schemes*, pp. 9-12.

⁵⁴ *Ibid.*, p. 2.

as 260 percent of those predicted in the projects reports, with the average being about 160 percent.”⁵⁵ Summarizing the situation which prevailed in the field of water and power development during the First Plan period, the Second Plan commented:

Experience during this period underlines the prime importance of careful preparation of projects, of sound appraisal of real costs and benefits, and of careful assignment of priorities and determination of the pattern of investment. Such comprehensive preparatory work was in many cases lacking in the past, because of absence of detailed surveys, investigations and statistical data. Impatience and enthusiasm took the place of prudence and engineering judgment, leading to waste of scarce resources—finance, strategic materials, and technical manpower. In some instances costs were grossly underestimated and returns overestimated. In a number of cases, coordination between the various phases of the same project was indifferently effected.⁵⁶

In public industry, the Pakistan Industrial Development Corporation (PIDC) under the direction of a dynamic Chairman, made considerable headway in establishing large-scale basic industries. But the costs were unexpectedly high. This led the Panel of Economists which, at the request of the central planning body, examined the Second Plan to complain of:

a lack of cost consciousness on the part of many public servants in charge of development projects. It frequently happens that the execution costs in the public sector are substantially higher than the costs of execution of similar projects in the private sector.⁵⁷

PIDC was usually able to obtain funds it wanted even for projects to which the Planning Board had assigned low priority. PIDC was favored over the private sector because many officials had a deep-seated distrust of private business. These officials tended to regard profits as immoral. “A foreign observer in . . . Pakistan,” commented Professor Edward Mason, who was in over-all charge of the Harvard University Advisory Group, “cannot fail to be impressed

⁵⁵ Data from a Planning Board staff document dated February 1958, as given by David Bell, “Allocating Development Resources, etc.,” pp. 96-97.

⁵⁶ Planning Commission. *The Second Five Year Plan*, p. 201.

⁵⁷ Planning Commission. *Report of the Panel of Economists on the Second Five Year Plan*, p. 26.

with the strong anti-business sentiment that permeates the civil service . . .”⁵⁸ To an extent, this attitude may have been a response to the antiquated and sometimes restrictive practices of Pakistani businessmen, most of whom preferred to limit their operations to land management, construction, commerce or foreign trade. Nevertheless, civil servants often manifested a “possibly unconscious conviction that the economic decisions they make are more likely to be ‘in the public interest’ than those which are influenced by the ‘random’ outcome of market forces . . .”⁵⁹ These attitudes tended to create in public officials a bias toward public enterprise. When allocating foreign exchange or granting permission to start a new enterprise, this led them to give preference to the public sector and to treat the private sector as a residual.

The private sector was subject to a multiplicity of economic controls on imports, exports, the issue of capital stock, prices and profits. Imposed on a piecemeal and *ad hoc* basis, and often at odds with each other, these controls tended to dampen the enthusiasm of private investors. Private investors often found it difficult to obtain Government assistance for securing essential transport, water, electricity and materials or for removing obstacles and bottlenecks to their undertakings. In commenting on the lack of official assistance for supplying businessmen with vital facilities for their enterprises, the Panel of Economists convened to consider the Second Five Year Plan suggested that:

the reason why some private investors are anxious to join hands with the PIDC is not because they have a very high opinion of the business and technical competence of PIDC but because they think that through PIDC they will be able to secure the necessary assistance from the Government.⁶⁰

Public Participation and Government Support

In its first Report, the Projects Division listed seven reasons why the Plan’s objectives were being achieved only partially. The last,

⁵⁸ Mason, Edward S., *Economic Planning in Underdeveloped Areas*, p. 74.

⁵⁹ *The Economist*, (London), December 2, 1961, p. 932.

⁶⁰ Planning Commission. *Report of the Panel of Economists on the Second Five Year Plan*, p. 25.

and in many ways the most important, of these was the "lack of enthusiastic and coordinated efforts for implementation."⁶¹

In one of its most eloquent passages, the First Five Year Plan had pointed out that a plan is only as good as its implementation and had stressed the need for the widest public participation in, and active popular support for, the Plan's execution:

The preparation and adoption of a plan are the beginning, not the end, of the development process. A plan has meaning only if it is put into effect. The success of the Plan will depend upon the cultivators in the fields and the workers in the factories, upon businessmen and landowners, upon Government officials and village leaders, upon public spirited citizens in all walks of life—in short, upon the many hundred thousands of people in the country who have power or influence to commit human energy and material resources to action. If they understand, accept, and are guided by the Plan, we have a strong conviction that a new day of steady and purposeful progress will dawn for the country.⁶²

Although the Draft Plan was publicized by the press and widely discussed, there was little public participation in its preparation, revision and execution. In general the business community had had little to say about what went into the Plan. The majority of Pakistan's farmers, workers, and villagers never grasped the purpose of the Plan, even if they were aware of its existence. Although the Plan had been approved by the National Economic Council, the controversial regional issue left the Plan with few political supporters. The failure of the Government to adopt it as its official development program and to provide it with organized political support greatly diminished such official and popular interest as the Planning Board had been able to arouse.

⁶¹ Projects Division. *Development Projects. Progress of Major Schemes Sanctioned by the Government of Pakistan*, p. 2. The other six have already been mentioned: (1) Improper programming and defective preparation of project estimates based on imperfect data; (2) administrative bottlenecks which delayed approval of projects at various levels; (3) delays in procuring imported materials, machinery and equipment; (4) lack of technical personnel and technical knowledge, as well as the lack of training projects for increasing the supply of persons able to implement projects; (5) paucity of foreign exchange and (6) abnormal weather conditions and havoc caused by floods.

⁶² National Planning Board, *The First Five Year Plan*, pp. i-ii.

There had been some hope that the National Economic Council, consisting of representatives of both the Provincial and Central Governments, might become an effective instrument for resolving economic issues among the three Governments. But the Council did not live up to expectations. Although only an advisory group, it had been referred to by the President of Pakistan as the "supreme economic body of the country."⁶³ Because of repeated changes in Government coalitions, the Council's membership was a transient one. In the eight months between April and December 1957, it was reconstituted three times. Frequent changes of the Council's members made it difficult for them to exert an effective influence on the country's development policies.

The Council's operations were handicapped because it had no secretariat of its own. Staff work in preparation for meetings was generally perfunctory and the performance of members was uninformed and unimpressive.

The Council swiftly degenerated into an arena of regional rivalries, more concerned with provincial claims on national resources than a dispassionate study of the economic problems, which, as the Prime Minister had pointed out, was its primary function.⁶⁴

After it approved the Plan, the Council met infrequently. Policy decisions on which successful implementation of the Plan depended were never taken.

The Planning Board had foreseen that implementation of the Plan would present the Government and the people with some of their most difficult problems and had cautioned that ". . . no one should underestimate the tremendous problem of achieving the objectives set in this Plan."⁶⁵ Nevertheless, the panel of distinguished economists which reviewed the progress of the First Plan and the terms of the Second Five Year Plan for the central planning agency contended that the failures during the First Plan period were not attributable to the Plan's objectives:

⁶³ Message from the President of Pakistan as reproduced in the *Report of the National Economic Council for the Year 1957/58*, p. 15.

⁶⁴ Ahmad, *Government and Politics in Pakistan*, p. 60.

⁶⁵ Planning Board. *The First Five Year Plan (Draft)*, p. 21.

The First Plan turned out to be unrealistic in the sense that hopes raised by it have remained largely unfulfilled . . . However, these [failures] are a sad commentary on the mode of implementation of the Plan, not on the Plan itself. The Plan was based on the assumption that it would receive full political support and that the Government would make an all out effort for its implementation. It did not demand an effort that was beyond the capacity of the people. If its objectives have remained unfulfilled, this only illustrates the lack of adequate effort for its implementation.⁶⁶

Pakistani officials have frankly and frequently criticized the failure of the Government to take appropriate measures to execute the Plan and to mobilize public support for it. In its report on the progress of the major projects approved under the Plan, the Projects Division wrote in 1960:

The former Governments which invariably suffered from political instability were not keen to implement the Five Year Plan with the seriousness and sincerity of purpose which it deserved. The entire operation suffered from lack of discipline . . . The result was that the Plan failed to evoke a spontaneous response from the public and popular enthusiasm was not harnessed to execute it as a program of national action.⁶⁷

Writing in the same year, the Planning Commission (the successor to the National Planning Board) expressed a similar point of view:

The absence of a widespread interest, both within the government and in the public at large, in the objectives and substance of the Plan, has undoubtedly been an important cause of failures in achievement, and can be ascribed to a significant degree, to the fact the Government really never gave it a firm endorsement at the highest level.⁶⁸

If, however, the Government is held responsible for the inadequate implementation of the Plan, it is necessary to remember that it could hardly have been otherwise in the unstable political circum-

⁶⁶ Planning Commission. *Report of the Panel of Economists on the Second Five Year Plan*, p. 2.

⁶⁷ Projects Division. *Development Projects. Progress of Major Schemes Sanctioned by the Government of Pakistan*, p. 2.

⁶⁸ Planning Commission. *First Five Year Plan, Preliminary Evaluation Report*, pp. 3-4.

stances at that time. Perhaps the planners were unduly optimistic about what could be accomplished in a period when coalition governments were following each other with such rapidity that all public business was seriously impeded. It is possible that Pakistan was not ready for a five-year development plan which required, as a condition of fulfillment, land reforms, fundamental administrative, organizational, procedural and other changes in both public and private sectors, as well as large increases in technical and managerial personnel. This is not to say that the Plan, even though overly ambitious in the current political circumstances, could not lay claim to some achievements, particularly in laying a basis for future planning. The conclusion of the Panel of Economists seems appropriate:

Perhaps the most that can be said is that Plan has been used as a guide in the preparation of the annual development programmes; that it has stimulated and aided systematic thinking about development; and that many of the ideas developed in the Plan have influenced the evolution of public policy.⁶⁹

THE FIRST PLAN'S RESULTS

Total development expenditures during the Plan period were only about 10 percent below the Plan's estimate, but accomplishments in physical terms fell considerably short of targets. The shortfalls were partly due to factors largely beyond Pakistan's control, including unfavorable weather, deterioration of the terms of trade and lower foreign exchange earnings, higher project costs because of increasing world prices and the arrival of external aid at a rate slower than expected. On the other hand, the failure to achieve physical targets was also due to unfavorable factors which were within Pakistan's control, principally, an increase in public and private consumption "injudicious and often incompetent utilisation of external and internal resources and non-observance of the discipline of the Plan."⁷⁰

⁶⁹ Planning Commission. *Report of the Panel of Economists on the Second Five Year Plan*, p. 2.

⁷⁰ Planning Commission. *Objectives of the Second Five Year Plan*, p. 2.

The increase in national income during the Plan period was about 11 percent instead of the 15 percent expected. Because of a rise in population greater than expected, the increase in per capita income was negligible when compared with 7 percent foreseen in the Plan. The balance of payments worsened. Export earnings declined instead of increasing, partly because of a failure to increase exports and partly because of a fall in export prices. New jobs created fell short by 50 percent of the increase in the labor force.

The greatest successes were scored in the industrial sector. Despite foreign exchange shortages and irksome official controls on business, there were many opportunities for profits in private industry. Products which were in local demand were protected by severe import restrictions. Favorable exchange rates for imported capital goods, reduced tax rates, and high depreciation allowances stimulated reinvestment of large private profits. Loans to industry by public agencies and heavy public outlays on basic facilities which industry needed also helped promote investment. In the public sector, PIDC continued to invest most public funds destined for industry. Most of PIDC's investments went to establish jute, paper, woolen and sugar mills, cement factories, chemical plants and shipyards. Although the cost of executing PIDC industrial projects was criticized as being substantially higher than the cost of similar projects in the private sector, PIDC's activities had an important effect on expanding capacities in many fields.

While industrial growth was impressive, it had serious limitations. Most of the industrial expansion was in large and medium-scale plants; little progress was made in small and cottage industries. Moreover, the expansion was mostly in consumer goods industries and not in the basic industries which the Plan sought to foster. Indeed, the evidence gives the impression that industrial growth during the First Plan period was almost completely independent of the Plan. The growth of industry was often haphazard. There were new industries which neither earned foreign exchange nor helped reduce the drain on external resources by substituting domestic products for imports. Some industries, like that producing rayon, used imported raw materials and actually increased the demand for imports. In some cases, larger facilities were installed than were

justified by the domestic market or export possibilities. Frequently, not enough attention was paid to the need for supplying new industries with imported fuel and spare parts. Consequently, operations often were below installed industrial capacity.

The increase in electric generating capacity was close to expectations, as were improvements in transport and communications, except for inland water transport and roads in East Pakistan. However, except for natural gas, increases in the output of coal and other fuels and minerals were far below Plan targets. Progress in education and public health programs was generally below targets. Private housing construction, largely of high cost, and the building of government offices exceeded Plan targets, but execution of both the urban and rural public housing programs fell short of the targets.

The irrigation program fell well behind schedule and costs were considerably higher than planned and only about 68 percent of the financial targets for water and power development in the Plan were met. Most projects cost much more than originally expected. Acreage reclaimed from waterlogging and salinity amounted to less than 50 percent of targets.

Foodgrain harvests in the last year of the Plan period were good, and there are indications that actual production was higher than the statistics showed. Nevertheless, it was in agriculture, which had the highest priority in the Plan, where achievements were generally most conspicuously below targets. Only about 52 percent of planned investment in agriculture was actually carried out. Most of the shortfalls in the financial implementation of the agricultural program occurred in East Pakistan, while development expenditures by West Pakistan and the Center generally either equaled or exceeded Plan provisions. The availability of funds in a special reserve for East Pakistan proved to be inadequate to insure the preparation of projects in the absence of technically qualified personnel.

Plan targets were technically feasible and capable of attainment under favorable conditions, but they had little chance of realization in the circumstances which prevailed. The Government did not make land reforms which the planners considered essential to the

fulfillment of the agricultural program. Provincial agricultural departments were understaffed, both technically and administratively. They were inadequately equipped and the staff was too inexperienced to handle development programs of the size in the Plan. There were insufficient facilities for providing farmers with essential seed, fertilizer, pesticides and other supplies. Delays in official procurements and difficulties experienced in distributing farm supplies seriously interfered with the realization of production targets.

The Village Agricultural and Industrial Development (AID) Program fell short of targets and it was clear that the Plan had expected too much. The Program called for enlisting mainly young and inexperienced workers, with little knowledge of agriculture, to stimulate the interest of villagers in agricultural development. The lack of civil service support for the program and the temporary nature of the Village AID organization made it impossible to attract enough qualified village workers or to retain those who joined. The training program for AID personnel was inadequate and there was a lack of appreciation that their efforts were unlikely to yield results as quickly as the Plan envisaged. In West Pakistan, "a good deal of unhealthy rivalry [between departmental technicians and village workers] necessitated strong intervention by the Central Government to set matters right."⁷¹ In the end, the Village AID Program was abolished.

While achievements under the Plan were thus a good deal less than had been hoped for, significant progress was made in a number of sectors. Total installed electric power capacity expanded from 342,500 kws to 906,000 kws. The railways were partially rehabilitated, 1,815 miles of new roads were completed, and 1,400 miles of old roads were improved. Over a million acres were brought under new irrigation and an additional 2.6 million irrigated acres were improved. The use of fertilizers increased almost fourfold and food storage capacity rose by almost a half million tons.

The First Plan period was necessarily a time for diagnosing administrative, organizational and other problems and testing alternative solutions. It was also a time for resolving difficulties in meeting the requirements of different foreign aid and international lending

⁷¹ Planning Commission, *The Second Five Year Plan*, p. 393.

agencies which had greatly slowed down the flow of foreign financing for Pakistan's development programs and projects. While the benefits from these accomplishments did not manifest themselves at the time, they were essential to the progress made during the Second Plan period. Moreover, the Plan had made many important recommendations for reorganizing governmental bodies, establishing new agencies and for reforms which over a period of time were gradually adopted. Perhaps of even greater importance:

there was unmistakable progress . . . in public recognition of the importance of planning and development.⁷²

A significant improvement had also taken place,

in the climate for economic growth, making accelerated development possible during the Second Plan period. Conditions . . . [were] . . . now ripe for taking a decisive step forward in the advance towards a self-reliant and self-sustaining economy.⁷³

⁷² *Ibid.*, p. 1.

⁷³ *Ibid.*, p. 3.

V.

The Second Five Year Plan

PLANNING MACHINERY

The Planning Commission

In the first month of its tenure, the new Government which came into power in October 1958 quickly demonstrated its interest in planning by strengthening the position of the central planning organization and enlarging its functions. The National Planning Board was renamed the Planning Commission and made responsible to the Chief Executive. The Ministry of Economic Affairs was abolished and its planning, expediting and progress reporting functions were transferred to the Planning Commission. At the recommendation of the Commission, which felt that detailed progress reporting should be done by a separate body closely associated with the Commission, the Government transferred the Commission's expediting and progress reporting functions to the newly created Projects Division in the President's Secretariat.

Even after this change, the Planning Commission's authority remained much greater than its predecessor's. Besides keeping all the functions of the previous Planning Board, the Commission now became responsible for the preparation of, and getting Government approval for, the annual development program. The Commission also retained responsibility for coordinating the review of development projects and programs and for securing Government approval for those which it considered acceptable. As will be seen later, this authority had the important effect of converting the Development Working Party into an instrument of the Planning Commission.

Soon after the new Government came into being, a high civil servant was installed as Chairman of the Planning Commission. A strong and dynamic leader, the new Chairman was the real operating head of the Commission to an even greater extent than his predecessors. Some members and many other key officials were new to the Commission. Hardly any had had experience in preparing the First Plan. Both the Chairman and the Deputy Chairman were engaged in other important activities. Over an extended period, the Chairman had to devote much effort to a Government Reorganisation Committee, which he headed by Presidential appointment, while the Deputy Chairman, who became Chairman of the Development Working Party, gave most of his time to the Working Party's project review activities.

The Planning Board had never solved its problems of personnel selection, recruitment, training and promotion. As a result, some of the few qualified members of the staff had left. In August 1961, the Government took a drastic step to add substantially to the small nucleus of qualified Pakistani staff by directing that the Commission would thereafter have first call on any Government economist or technician. This provision proved not to be enforceable and the Commission has not succeeded in acquiring the staff, especially on the top economic level, needed to carry out its functions. During the last few years, the Commission has been unable to fill one-third of its vacancies. Even if all had been filled it could not carry out all of its functions. In spite of recent acquisitions in its technical sections which promise to alleviate some of the burdens formerly placed on a few high officials, it is therefore likely that the Planning Commission will encounter difficulties in the preparation of the Perspective and Third Five Year Plans now under way.

While in some parts of the Government the Second Plan obtained limited acceptance, the desirability of planning was increasingly accepted in official circles after October 1958. However, most Government officials still lacked an adequate appreciation of the implications of the planning process. They did not fully understand that effective planning required close and continuing cooperation between the Planning Commission and the operating ministries and departments. Working relationships between the Commission and

the central ministries were weakened further when the Government moved to Rawalpindi, 800 miles to the north of Karachi, leaving the Commission behind in Karachi. Nor was there adequate appreciation within the Government, until very recently, of the need to relate economic, financial and fiscal policy with plan objectives. Because policy was often adopted by various governmental bodies without reference to the central planning office, Government policies for agriculture and industry were sometimes at variance with plan objectives.

“Progressing” Machinery

The Planning Commission completed work on the Second Five Year Plan in the spring of 1960, but as will be seen later, the costs in the Plan soon required two revisions before its final adoption. During this time, the Government also concluded that Pakistan's planning machinery needed overhauling.

The Government was also disappointed with the Projects Division. The Division had been understaffed since its establishment and such staff as it had was dispersed. The Director, his Deputy and five professionals were stationed in Rawalpindi, nine Project Officers were in Karachi, where they worked largely without supervision, and smaller groups operated from Lahore and Dacca. The Division's consolidated progress reports, while useful as the only available listings of projects under execution, were incomplete, with data on many projects omitted. They were issued semi-annually instead of quarterly, as planned, and referred to periods three or four months earlier. The number of projects which were included increased slowly and the timeliness of the reports gradually improved, but their defects continued to impair their usefulness as guides for removing bottlenecks.

The shortcomings of the Division's reports were due to inadequate reporting by the operating ministries, departments and agencies. Executing bodies were required to prepare progress reports on a prescribed form by specified dates, but many of their reports did not follow the form and most reports were late. While some executing bodies submitted accurate and timely reports, others exaggerated the progress made on their projects and most failed to

report essential data. Information furnished was often too vague and sketchy for the Division to be able to assess the progress made. Many executing agencies did not maintain up-to-date records on the progress of their projects and so could not furnish accurate information. To some extent, the inadequacy and tardiness of the reports were probably due to the executing body's hesitation to reveal undue delays in execution; but in most cases, it appeared to be the result of apathy toward the reports, the importance of which was not made apparent to the reporting officers. The elaborateness of the forms and the multiplicity of different reports on the same projects which had to be sent at frequent intervals to several departments of the Provincial and Central Governments also had something to do with the lack of enthusiasm evinced by executing bodies for prompt, accurate and detailed progress reporting.

The poor quality of the reports made it especially important for the Projects Division to carry out field inspections. However, the Division's Progress Officers, who were supposed to make periodic visits to project sites, were unable to do so because their time was absorbed processing the progress reports submitted by the operating ministries and departments. The Director General and, more infrequently, the Deputy Directors General in Lahore and Dacca made selective inspections of projects, but they could hardly do more than visit the most important ones. An effort was made to obtain foreign technical assistance for the Division, but this did not work out well. The order creating the Progress Division had directed the Division and the Planning Commission to work in the closest collaboration. To this end, the Director General of the Division had been instructed to attend meetings of the Commission. However, the Division and the Commission tended to act as though their functions were unrelated and neither made the effort needed to ensure constant cooperation. With the Division's headquarters in Rawalpindi and the Commission's in Karachi, there was even less communication between the two than there might have been if both had been situated in the same city.

In August 1961, the Government abolished the Projects Division and amalgamated its staff and functions with those of the Planning Commission, which was made a Division of the President's Secre-

tariat. The President of Pakistan became Chairman of the Commission and Minister-in-Charge and the experienced civil servant who had formerly served as the second Chairman of the Planning Board, was appointed Deputy Chairman with the rank of Minister, but without Cabinet membership. By putting the Planning Commission in his Secretariat, by assuming the Chairmanship himself, and by raising the Deputy Chairman to ministerial rank, the President hoped 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.

When the Ministry of Economic Affairs was abolished in 1958 and its planning and progress reporting functions were transferred to the Planning Commission, an Economic Affairs Division was established in the Ministry of Finance to take over the Ministry of Economic Affairs' responsibilities for preparing and coordinating foreign aid and technical assistance requests. The Ministry of Economic Affairs had never done an effective job in these fields. It was hoped that an Economic Affairs Division in the Ministry of Finance would be more effective, but when results did not reach expectations, the Division was transferred, in 1961, to the President's Secretariat. However, lack of coordination continued to be a problem which eventually assumed serious proportions. The Planning Commission could only occasionally influence requests for aid and technical assistance and it was becoming apparent that the separation of the planning function from the coordination of foreign aid and technical assistance was impeding implementation of development plans and programs. Soon after the Economic Affairs Division was moved to the President's Secretariat, it was therefore placed under the direct supervision of the Deputy Chairman of the Planning Commission.

Under the new organization, the Commission's planning functions were assigned to a Planning Wing, while a Progressing Wing assumed the functions of the former Projects Division. Each Wing was under a Secretary of Government, who was also an *ex officio* member of the Commission. Besides the Chairman (the President of Pakistan), the Deputy Chairman and the two Secretaries, the membership of the Commission again included a member each for

East and West Pakistan, thereby increasing the number of Commission members to six.⁷⁴

For the second time, soon after it had given the expediting functions to the Planning Commission⁷⁵ the Government found it desirable to transfer these, this time to the Provincial Planning and Development Departments. The Government's recurrent uncertainty about where the function of expediting implementation belonged was partly due to confusion in terminology. Everyone agreed that implementation, i.e., the execution of projects and programs, was properly the function of the executing ministries, departments and agencies. It had appeared desirable to have a separate organization which would be concerned with "progressing," a term which embraced field inspections of projects, the issuing of consolidated progress reports, evaluation of results obtained and the expediting of project implementation by representatives of the progressing agency. These representatives worked with officials of the executing agencies to eliminate administrative and other bottlenecks which retarded the execution of projects. Because progress reporting and evaluation of results obtained under the Plan were essential to effective planning, the central planning agency had sought and eventually obtained the progressing function when the Ministry of Economic Affairs had been abolished. Then, because the executive functions of expediting implementation were clearly incompatible with the advisory functions of a planning agency, the progressing function was later transferred to the new Projects Division. The failure of the Projects Division returned progressing to the central planning agency again. But the Planning Commission's second experience with progressing was no more successful than the first. The amalgamation of the Projects Division with the Planning Commission had, in fact, taken place only formally. Except for a new name,

⁷⁴ The resort once more to full-time political members on the Commission raises a question about the meaning and wisdom of this form of representation. The supervisory powers of the political members were not effectively exercised in the past. But more recently, one member has asserted his right to act as the effective head of the sections under his charge and to fill some staff vacancies on the basis of the regional origin of candidates. In addition, the Planning Commission, which never before functioned as a collegiate body, is now beginning to do so.

⁷⁵ The terms Planning Commission and Planning Division are now used interchangeably to identify Pakistan's central planning body.

the location of the progressing staff and method of operation remained unchanged, as did most of the problems which had led to the abolition of the Projects Division. In addition, as a Government Reorganisation Committee had noted:

it had not been possible for the [Planning Commission's] Progressing Wing to achieve any substantial results on the implementation side because of certain inherent difficulties in the situation itself arising from possible resentment on the part of operating agencies against outside interference . . . it was a difficult role for any organisation to play as the agencies responsible for accomplishing the task never welcomed such interference.⁷⁶

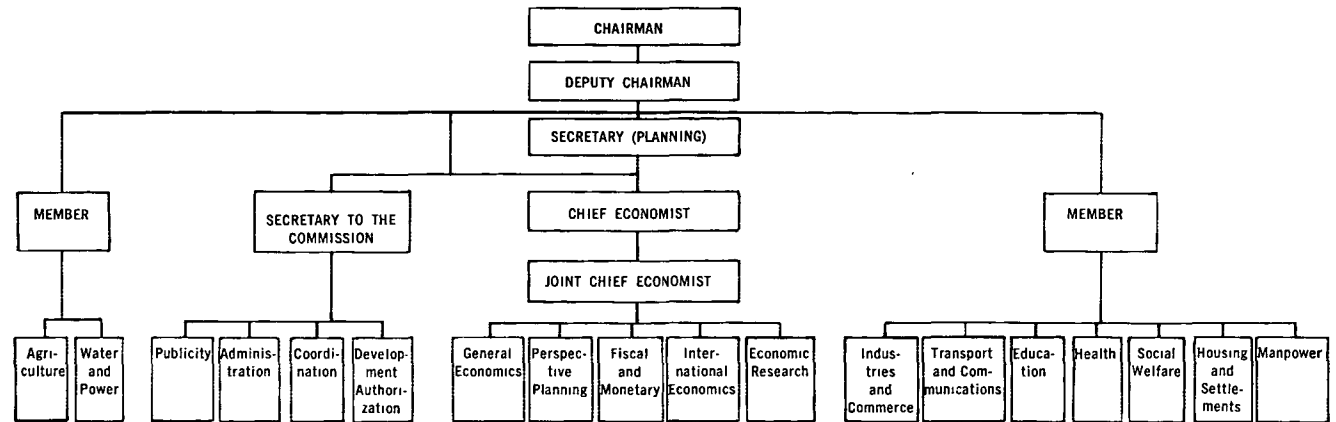
The Reorganisation Committee, which had been named by the Government to recommend organizational changes needed to give effect to the new Constitution adopted in March 1962, felt that experience had made it plain "that if the evaluation and progressing of projects were done by those responsible for planning, the quality and standard of planning would improve."⁷⁷ Because of the turn of events, this meant that the Provincial planning organizations rather than the Planning Commission were now the appropriate authorities for progressing. For as part of the movement toward decentralization of official responsibilities from the Center to the Provinces which followed the adoption of the new Constitution, the Provinces had taken prime responsibility in most sectors for preparing and executing projects and programs. In accordance with the Reorganisation Committee's belief that progressing went with planning, the task of progressing provincial projects and programs was transferred to the Provincial Planning and Development Departments. These Departments already combined executive and advisory functions. Therefore there was no problem in assigning the progressing responsibilities to them.

Since the transfer of the progressing function to the provincial planning organizations eliminated the need for the Progressing Wing of the Planning Commission, it was abolished. The present organization of the Planning Commission is shown in Chart I.

⁷⁶ Report of the Reorganisation Committee as quoted in *Dawn* (newspaper), Karachi, April 27, 1962.

⁷⁷ *Ibid.*

Chart I
ORGANIZATION CHART
PLANNING COMMISSION
PRESIDENT'S SECRETARIAT



FEBRUARY 1963

The Government now understood that planning could not be divorced from the review and evaluation of the Plan's implementation. The Planning Commission was accordingly authorized (a) to strengthen its sectoral sections to enable them to undertake appraisal and evaluation work and (b) to establish an Evaluation Section to coordinate the evaluation of projects in the various sectors and determine the results obtained under the total Plan. The Evaluation Section has been established and has prepared a review of the progress made during the first two years of the Second Plan period.⁷⁸ Like the other sections, the Evaluation Section needs additional personnel before it can carry out its functions. When a sufficient number of qualified persons has been acquired, the stage will be set for frequent, up-to-date, review and evaluation of the Plan's progress. Meanwhile, regular follow up on the Plan is lagging.

The Economic Council and The National Economic Council

In 1959, the military Government established an Economic Council as the country's supreme economic advisory body. The Council had 12 members, including the President of Pakistan, who was Chairman, the Governors of East and West Pakistan and the five Ministers of the Central Government in charge of the principal development ministries,⁷⁹ the Deputy Chairman of the Planning Commission and the Chairmen of the PIDC and the two provincial Water and Power Development Authorities. The Council was made responsible for reviewing and formulating economic policies, approving five-year plans, annual development programs and development projects, and reviewing the progress of plans and programs to insure the achievement of balanced economic development of all parts of the country. In keeping with the Government's policy of giving the Planning Commission greater authority, its Deputy Chairman was made Secretary of the Economic Council and memoranda for the Council's consideration had to be prepared by, or in consultation with, the Planning Commission.

⁷⁸ *Planning Commission. Mid-Plan Review of Progress in 1960/61-1961/62 Under the Second Five Year Plan.*

⁷⁹ Finance; Industries and Works, Irrigation and Power; Railways and Communications; Commerce; Food and Agriculture.

To conform to the provisions of the Constitution of 1962, the name of the Economic Council was changed to the National Economic Council (NEC) and the Provincial Finance Ministers were added as members. The NEC is to be responsible for reviewing the country's economic position, the formulation of development plans and the submission of annual reports to the National Assembly on the progress made each year in developing the economy. The Planning Commission provides the NEC's Secretariat.

The Economic Committee of the Cabinet and Its Successors

When the Economic Council was formed in 1959, there had also been created an Economic Committee of the Cabinet (ECC). The ECC had seven members, including the Minister of Finance, as Chairman, and 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 given responsibility for making day-to-day decisions on economic problems, supervising the implementation of economic policies approved by the Cabinet and the Economic Council and approving development projects prior to their submission to the Economic Council.

While ultimate authority for deciding economic policy rested with the Economic Council, it seldom met and, as a practical matter, policies were approved and coordination provided through the ECC. Since, unlike the Economic Council, the ECC had no formal representation from the Provinces, this gave rise to some dissatisfaction although provincial representatives often attended ECC meetings, but without a vote.

When the Economic Council was reconstituted as the National Economic Council, the ECC was abolished. Its functions were assumed by two new committees operating under the NEC; one is the Executive Committee of the NEC, whose main duty is to approve development projects; the other, the Economic Policy Coordination Committee, was to be concerned with the coordination of economic policies. The members of the Executive Committee of the NEC include the Minister of Finance, who is Chairman, the two Provincial Governors or ministers they may nominate, the Deputy

Chairman of the Planning Commission and the two Provincial Finance Ministers. In addition to providing for adequate representation from the Provinces, the Committee is required to meet at least once every three months in both Lahore and Dacca, to insure that provincial interests are taken into account when it considers projects.

The members of the Economic Policy Coordination Committee (EPCC) were the Deputy Chairman of the Planning Commission, who was Chairman, the Secretary of the Economic Affairs Division of the President's Secretariat, and the Secretaries of the Central Ministries of Finance, Commerce, Industries and Natural Resources, and Food and Agriculture. The EPCC was charged with keeping the current economic situation under review, overseeing the implementation of economic policies laid down by the Cabinet and the NEC and dealing with day-to-day economic problems. After consultation with the Minister of Finance, whose Ministry continued to be responsible for financial and monetary policy as distinguished from the EPCC's responsibility for economic policy, the Chairman of the EPCC was to transmit the Committee's recommendations to the President.

EPCC had been constituted with the Deputy Chairman of the Planning Commission as its head because there had been a growing understanding in Pakistan that planning and economic policy were inseparable and that the effectiveness with which development plans were carried out often depended on the Government's economic, financial and fiscal policies. However, the EPCC, with its civil service membership, was soon seen to have been constituted at too low a level to deal with matters of basic policy. The Ministry of Finance tended to view most economic matters which came before the EPCC as having important financial and monetary aspects for which it had responsibility. When the Ministry refused to accept the EPCC's decisions and recommendations, the EPCC was abolished, about six months after its creation, and the task of coordinating economic policy was taken over by the Cabinet. Despite the discontinuance of the EPCC, more general acceptance within the Government of the integrality of planning and policy, as well as greater recognition of the Planning Commission's technical compe-

tence, has made it possible for the Commission to play an increasingly important part in the formation of policy. The greatest problem thus far has been the frequent failure of the Commission itself to make periodic reviews of policy recommendations in the Plan and recommend appropriate action by Government to insure conformity between policy and Plan objectives. In an attempt to meet the need for such work, a policy section has been established within the Planning Commission and staffed with able economists obtained from the Institute of Development Economics.

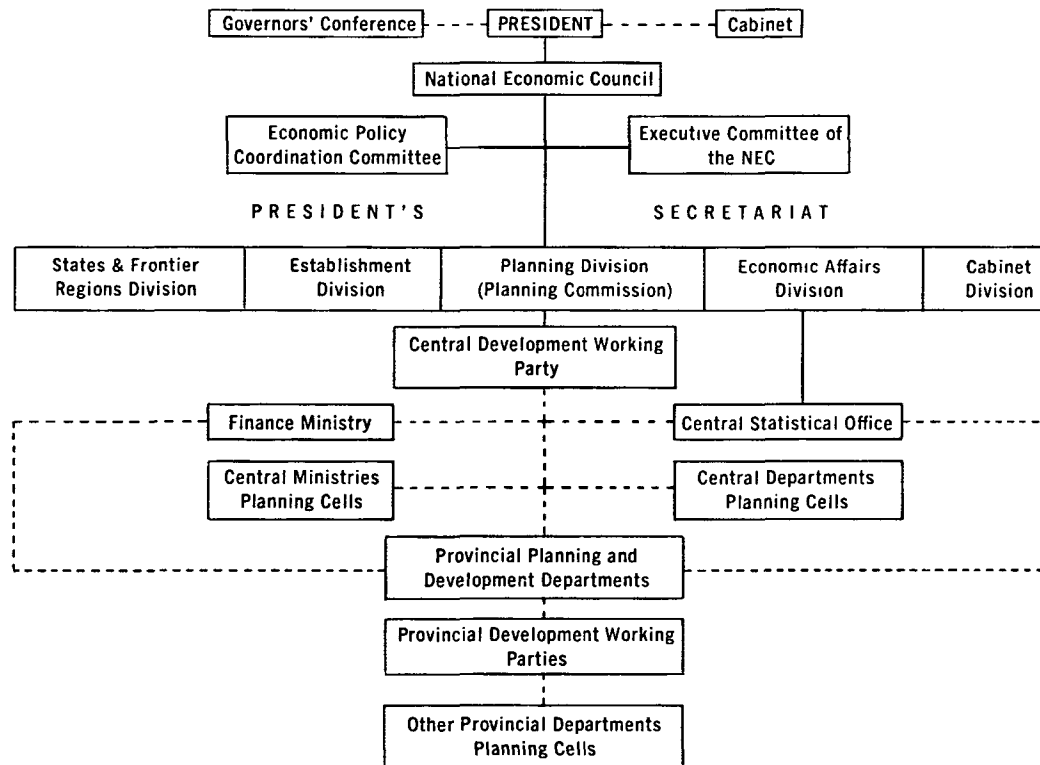
The Governors' Conference

Chart II shows the present organization for planning and implementation in Pakistan. Included in this organization is the Governors' Conference, which has functioned since the early days of the military Government as the highest policy-making body in the country. The President of Pakistan is Chairman and the two Provincial Governors constitute its other members. But meetings, which may take place every month or two, often in conjunction with meetings of the National Economic Council, are attended by ministers and other officials of the Central and Provincial Governments as required. On the basis of papers circulated in advance, the Governors' Conference makes administrative and other policy decisions. Discussions frequently include questions affecting the implementation of the Second Plan.

Ministerial and Departmental Programing Units

The necessity for establishing programing units in the central ministries and departments in order to broaden the planning process in Government had been broached in the First Plan. It had also been the subject of occasional discussion in the Economic Council and the Economic Committee of the Cabinet. However, the first formal move by the Government to get operating departments to create programing units did not take place before July 1959, when new procedures were published for the Development Working Party. These directed central and provincial departments, particularly those with large development programs, to establish suitably staffed programing units qualified to design and formulate projects.

Chart II
ORGANIZATION FOR PLANNING AND IMPLEMENTATION
IN PAKISTAN: 1962



Note: Broken lines show advisory or indirect relationship; solid lines show direct supervisory relationship.

Subsequent Government orders directed that the staff of each programming unit was to consist of one economist and two or more technical officers. Programs for training personnel of new programming units to carry out their duties were to be organized and conducted by the Planning Commission and by Provincial Planning and Development Departments.

The Planning Commission laid down an ambitious work program for the proposed programming units. In general, their functions were envisaged as being similar in many ways to those of the Planning Commission for the whole economy. For their fields, they were to formulate and evaluate projects on the basis of cost-benefit analysis. Projects were to be combined into integrated and internally consistent annual and five-year sector programs with targets based on an assessment of resources available to carry them out. The programming units were also to make periodic progress reports and undertake *ad hoc* or special assignments, such as the drafting of loan applications, the preparation of reports for foreign aid missions, the formulation of regional development projects and programs or the assessment of the impact of a specific program on transport facilities, labor supply or administrative capacity. In order to prepare the required studies and reports, programming units were to collect, record, process and analyze relevant statistical data. The Planning Commission was to be entitled to request information from, and to suggest investigations and studies to, the units. Copies of all studies and papers prepared by programming units were to be forwarded to the Planning Commission; in return, the Planning Commission was to send copies of its studies to them.

For almost two years after the issue of the first directive on the subject, the Government repeatedly directed central and provincial departments and agencies to form programming units and to staff them adequately, but only a few took the necessary measures. By the beginning of 1961, most central and provincial departments and agencies had set up part or full-time programming units, but only three or four were reasonably effective. The rest were understaffed or headed by junior officials and, in most cases, their functions had not been defined precisely. Although foreign technicians had been promised to supplement Pakistani staff where necessary, and there

was widespread need for such assistance, few programing units received outside aid. Without foreign technical assistance, few departments had the experienced staff required to get programing units started.

Government pressure on central ministries to establish effective programing units has now ceased as a result of the decentralization of control over the execution of projects and programs which followed adoption of the Constitution of 1962. The Government has decided that there is no further need for programing units in most central ministries and divisions since central ministries are hereafter to exercise only broad supervision over projects and programs for which Provincial Governments have prime responsibility. Such projects and programs are to be prepared in programing units in the provincial operating departments. This change in policy shifted most of the problem of creating effective programing units to technical departments at the Center and in the Provinces. Although programing units have been set up in the most important departments, staffing has been slow. There is even less likelihood that effective programing units can be set up in provincial departments than in the Center without more personnel and foreign technical assistance.

Provincial Planning Organizations

While the Second Plan was being prepared, inadequacies of organization and staff kept provincial planning bodies from making appreciable contributions to the Plan. Improvement was slow in starting, but from the end of 1960 in East Pakistan and from the beginning of 1961 in West Pakistan, augmented Pakistani staffs, the upgrading of provincial planning organizations and the enhanced position of their heads increased the capacity and status of provincial planning. As a consequence of these developments, provincial planning organizations are playing increasingly effective roles in initiating and coordinating both planning and implementation. Nevertheless, since the Central Government controls most of the country's tax revenues, sets monetary, credit, fiscal and other financial policies, and controls the distribution of foreign exchange and proceeds from foreign loans and grants, it remains the dominant

force determining the size and composition of each Province's investment outlays.

East Pakistan

Soon after the military Government came into power, the East Pakistan Planning Board was abolished. In 1960, the status of the Planning and Development Department was raised by giving its head the rank of Additional Chief Secretary, which made him the third highest civil servant in the Provincial Government.⁸⁰ Two interdepartmental committees, which with the Planning and Development Department constitute East Pakistan's planning organization, were set up to assist in the preparation and implementation of provincial plans:

1. A Planning Authority, composed of the Chief Secretary, the Additional Chief Secretary for Planning and Development (i.e., the official head of the Planning and Development Department) and the Finance Secretary, and
2. A Development Working Party, composed of one representative, respectively, from the Planning and Development Department, the Finance Department and the department sponsoring the project under consideration.

The Planning Authority, which functions as a Sub-Committee of the Secretaries' Meeting, which is a meeting of permanent secretaries of all provincial departments, is empowered to make final decisions on matters connected with economic development. It may act on its own initiative, but it generally makes decisions on the basis of reports submitted to it by the Planning and Development Department or the provincial Development Working Party. The Authority has final responsibility for approving nonrecurring development projects likely to cost less than Rs. 5 million and recurring projects of less than Rs. 2 million. The provincial Development Working Party is responsible for scrutinizing projects submitted by the provincial operating departments and for making recommendations thereon to the Planning Authority.

⁸⁰ Another Additional Chief Secretary, for Administration, ranks second.

As the Secretariat of both the Planning Authority and the provincial Development Working Party, the Planning and Development Department is the first to review projects submitted by the provincial operating departments and agencies. After examining the projects, the Department is supposed to transmit them to the provincial Development Working Party for review, from where they go to the Planning Authority for approval. In practice, the Department has done little more than transmit projects from the sponsoring agency to the provincial Development Working Party. The Working Party has frequently found it necessary to return projects to the sponsoring department for additional preparatory work.

Because it has taken too long for a project to clear through the Provincial planning organization, there has been a tendency to merge the provincial Development Working Party, the Planning Authority and the Secretaries' Meeting into a single review committee, composed of most of the permanent secretaries. While this has had the salutary effect of reducing the number of steps of review and approval, it has enlarged the membership of the reviewing body to unwieldy proportions.

In February 1963, a new Planning Board was constituted with three members. The Additional Chief Secretary for Planning and Development heads the Board as *ex officio* Chairman. The Board, which is visualized as the counterpart on the provincial level of the Central Planning Commission, was given wide powers to assess development resources and requirements, prepare long-term plans and annual programs, evaluate progress and implementation of plans and programs, devise and adopt measures for implementing plans, promote research, surveys and investigations, and maintain liaison with the Central Planning Commission. The Planning and Development Department will act as the Planning Board's Secretariat.

Since there is no line of authority from the Planning Commission to the provincial planning organizations, machinery has been needed to improve communications between them. Because of the distance, East Pakistan's planning organization in Dacca has found it particularly difficult to maintain contacts with the Planning Commission in Karachi. To provide a more formal and broader basis for consultation between the two agencies, the Government directed

the Planning Commission to hold quarterly meetings with the heads of the Provincial Planning and Development Departments to consider planning and implementation problems. The Planning Commission moves as a body to Dacca once each quarter for a two to three week stay and the Chiefs of the Planning Commission's Economic and Projects Divisions also visit Dacca at prescribed intervals. In addition, provincial officers concerned with planning are to be attached to the Planning Commission for a period of training in concepts and techniques of planning.

There was formerly a Provincial Projects Department which was charged with progressing provincial development plans and programs. Following the lead of the Central Government, the Provincial Projects Department was abolished and its functions were taken over by a Progressing Division in the Planning and Development Department. Difficulties experienced by provincial progressing units have been similar to those encountered at the Center. Since the Development and Planning Departments are much closer to provincial executing agencies than central progressing units were, they are believed to be in a better position to help expedite the execution of projects and programs. It is therefore expected that current efforts to improve reporting procedures of the provincial departmental planning cells will be more productive than those of the former central progressing units.

East Pakistan's Planning and Development Department has made a good start toward better organization and staffing. There are two Divisions: Planning and Projects. As in the case of the Central Planning Commission, recruitment of a good staff has been impeded by the low salaries offered. For over two years it was impossible to find an acceptable candidate for the post of Chief Economist to head the Planning Division. Although the two capable Additional Secretaries enabled the Department to take on increased responsibilities, the absence of a Chief Economist weakened the Department's performance. The positions of the four assistant chief economists and four research officers for the four Sections of the Division (Agriculture, Water and Power, Industry and Transport and Social) were filled only after long delays and with individuals who were

substantially less trained and experienced than required to carry out their sectional responsibilities.

Recently, the Provincial Government approved a reorganization of the Planning and Development Department. The number of sections in the Planning Division was increased to five and their heads were raised in status from assistant chief economists to deputy chief economists. The level of other positions was also raised. At these higher levels, it was found possible to engage a total of about twelve well-trained economists from Dacca University and the Institute of Development Economics in Karachi. A competent Chief Economist, who formerly held a high post in the Central Planning Commission, has also been engaged. The provincial Statistical Bureau is being integrated into the Planning Department for the first time, and Economic Research and Statistics Institutes are being established at Dacca University to assist the Department with research and personnel training activities. These additions to staff and organizational developments have greatly improved the outlook for planning in East Pakistan. On the other hand, the Projects Division of the Department, which is responsible for inspecting, reporting and evaluating the implementation of provincial projects and programs, is still inadequately staffed and administered.

West Pakistan

West Pakistan's planning organization is generally similar in form and operation to that of East Pakistan. In 1961, West Pakistan finally separated the planning function from operations by creating a Planning and Development Department headed by a Development Commissioner who, unlike his predecessors, was able to devote his full time to planning activities. A staff of about nine professionals was assembled to assist him. Following the precedent set in the East Wing, West Pakistan also raised the rank of its Development Commissioner to that of Additional Chief Secretary. He reports directly to the Governor or the Chief Secretary, depending on the business involved. His higher status has made it easier for him to deal effectively with provincial departments and agencies, with the result that relationships between the Planning and Development Department and other provincial departments and agencies are now

satisfactory. Chart III shows the organization and staffing pattern for West Pakistan's Planning and Development Department.

The Planning and Development Department helps in the preparation of provincial plans and their implementation. In collaboration with the Provincial Finance Department and other bodies, it draws up the provincial annual development program, largely on the basis of the financial resources made available by the Central Government. The Department also evaluates and reports progress in executing provincial projects and programs (unlike East Pakistan, West Pakistan never had a Projects Department), engages in economic research, and acts as liaison between provincial departments and central ministries and agencies on development matters.

Provincial departments and agencies send their proposals for projects to be included in provincial plans and programs for review and comment to the Planning and Development Department and to the Finance Department. There is a provincial Development Working Party, chaired by the Additional Chief Secretary, on which the Finance Department and the department or agency sponsoring the project under consideration are represented by their permanent secretaries. The decisions taken by the provincial Development Working Party are in the form of recommendations to the Governor of West Pakistan, who generally approves the Development Working Party's recommendations.

Until the end of 1962, failure to staff adequately the Planning and Development Department, the lack of training and experience of its personnel and the absence of a sufficiently strong group of foreign advisers to assist the local staff, seriously reduced the ability of the Department to guide, innovate and expedite development planning in the Province. Recently, the personnel situation improved markedly as a result of the provincial Secretary of Finance's willingness to allow higher salaries and status to planning personnel, a reflection of his interest in planning, which is in turn a reflection of the greater provincial concern with planning. New positions were established and a group of able economists were obtained from the Institute of Development Economics in Karachi. The Bureau of Statistics is being strengthened with the assistance of U.S. AID statisticians and the services of a highly qualified economist have

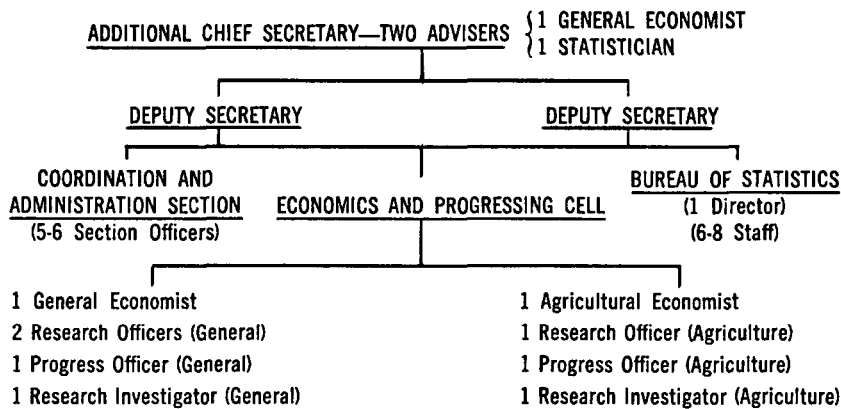
been obtained as Chief Economist. The Progressing Wing of the Planning and Development Department has begun to turn out effective reports on the status of project implementation. An Implementation Committee headed by an Additional Secretary of Finance has been established to improve project and program execution and the Secretary of Finance is using the Committee to obtain information for budgetary purposes.

Local Planning

Decentralization of the planning process was advocated in the First Five Year Plan, which recognized that “instead of being prepared and imposed from above, programs particularly in the sphere of rural development should originate in the villages and proceed upward.”⁸¹ Provincial Governments had a greater share in preparing the Second than in preparing the First Plan. Nevertheless, because of the Provincial Governments’ inability to frame adequate plans and programs, the Second Plan, like the First, was “disproportionately the work of the Central Government.”⁸¹ While the

Chart III

**WEST PAKISTAN PLANNING AND DEVELOPMENT DEPARTMENT
ORGANIZATION AND STAFFING PATTERN: 1962**



⁸¹ Planning Commission. *The Second Five Year Plan*, p. 111.

extent of Provincial participation in the planning process increased somewhat between the First to the Second Plan periods, divisional, district and communal bodies played almost no part in the formulation of either Plan. Nor have these local groups participated much thus far in preparing and carrying out projects and programs under the Second Plan.

The central authorities believe this situation will change because a "new dimension has been added to planning by the institutions of Basic Democracies."⁸² These institutions represent the Government's attempt to give the people of Pakistan an opportunity to participate in the political and developmental process by means which differ from the usual forms of democratic representation. While effective power remains largely in the hands of the President of Pakistan and the two Provincial Governors he appoints, a measure of "democratic decentralization" is being sought at various levels.

Under the Basic Democracies system, union councils are to be created throughout the country to be responsible at the local level for agricultural, industrial and community development. Voters grouped in units of 1,000 to 1,500 elect ten to twelve members to each council. Originally, these were to be supplemented by five or six nominated members with special technical qualifications or representing specified interests, like organized labor. However, the Government has announced that no nominations will be made to the union councils, which will therefore have only elected members.

The union councils (town committees in the towns and union committees in cities) constitute the base of a pyramid consisting in all of five ascending levels of councils each representing larger geographic units. At the level immediately above the union councils are the *tehsil* (in West Pakistan) or *thana* (in East Pakistan) councils. At the third level are the district councils headed by deputy commissioners or district magistrates, who are civil servants and at the fourth, the divisional councils under the chairmanship of divisional commissioners, who are also civil servants. At the top of the pyramid are the two Provincial Development Advisory Councils,

⁸² *Ibid.*

each headed by the Governor of the Province. Councils at each level send delegates to the councils on the next higher level, e.g., all the chairmen of the union councils, town committees and union committees are members of the *tehsil* or *thana* council in their area, but the higher the level of the council, the greater the proportion of appointed or official members.

The institutions of Basic Democracies have been assigned both political and economic functions. Their members constitute the Electoral College of Pakistan, which elects the President and the central and provincial legislatures. They are also considered to be organs of local self-government. As such, they have been assigned economic functions which emphasize their responsibility for agricultural, industrial and community development. The Government hopes that they can become the means for decentralizing the preparation and, especially, implementation of plans and for local co-ordination of development. They believe that out of the discussion within the councils of local needs and problems, with officials explaining the extent to which funds, equipment and materials are available, development plans will emerge which reflect the requirements and aspirations of each area, as well as the means for executing the plans. While the district councils are viewed as the key units for development administration, where "disparities between parochial issues and broad provincial and national interests can be resolved,"⁸³ it is considered desirable to delegate powers, as far as possible to lower levels, where elected chairmen of the union councils will be in strong positions to represent the views and interests of the people.

The *tehsil* councils in the West and the *thana* councils in the East are considered crucial points for coordinating the union councils' development plans before they are combined into district plans by the district councils. District plans are to be processed and consolidated further at the divisional level into divisional plans which are to include priorities for projects and programs. At the Provincial level, the Planning and Development Departments, in consultation with provincial departments and agencies, are to consolidate the

⁸³ *Ibid.*, p. 4.

divisional plans by sectors into provincial plans. For the implementation of these plans, the process is to be reversed. When national plans have been approved at the Center, national targets are to be broken down, to the greatest extent, into provincial, divisional, district, *tehsil* and *thana*, and village targets. Although this is to be done particularly for agricultural targets, it is also to be done, in some degree, for all targets.

The system of Basic Democracies, which went into effect in 1959, has been operating for too short a time to determine the effectiveness of this experiment to mobilize the support and enthusiasm of the people. It has begun to show results in some places, but it has also demonstrated grave shortcomings in others. Since most of the people are illiterate and live in isolated villages, it is no easy matter to create initiative among members of the councils on lower levels. While shortages of funds also have hindered activities in many localities, the lack of technical assistance has been the biggest obstacle to local action. There is little prospect that this weakness can be remedied soon since the demand for qualified specialists to work with union councils is far greater than the supply. Until recently, union councils had confined themselves to small local development works. What planning and execution of development projects there were, generally took place at district and divisional levels where some technical assistance was available. Even on these levels, however, little was done since district, divisional and departmental officials in the field, who were supposed to help the councils, were already overburdened with their regular responsibilities. In provincial capitals, moreover, there has been a tendency for officials to take decisions without consulting local bodies or departmental field representatives. This development was not unforeseen. As the Second Plan presciently observed:

The easy course would be simply to continue to do all planning at or near the top of the hierarchy, and to use the machinery of Basic Democracies essentially as an instrument for obtaining consent for decisions taken at the Centre and in the Provincial capitals . . . Basic Democracies will become meaningful only if a measure of programme planning and policy formulation rises upward to the points at which governmental decisions are taken . . . Getting participation in planning

at local levels will be much more complicated [than planning at the top] . . .⁸⁴

How effective Basic Democracies will be in involving the people at lower levels in planning and implementation, therefore, still remains to be seen. The results will ultimately depend on the extent to which the Center and the Provinces will prove willing to give the local councils authority and assistance to prepare and execute plans and projects. Until now, Government policy has shown contradictory movements.⁸⁵ Most important of all, there is need to provide councils with technical aid without which they cannot be expected to produce or carry out useful projects, programs or plans. To enable local councils to function as effective instruments of development, even in the field of community development programs where they could have an important influence, requires fundamental reorganization of provincial departments and a considerable extension of their field organizations. Even if the Government takes these steps, much time will be needed to solve the attendant organizational and staffing problems.

The Government has, however, indicated that it proposes to make Basic Democracies work. In 1962, a public works program was started in East Pakistan financed by funds from the sale of United States surplus commodities. A sum of Rs. 100 million was provided for the use of the units of Basic Democracies, for a series of several public works projects which employed many workers during the agricultural slack season. The success of the program in mobilizing union, *thana* and district councils has encouraged the Government to double the amount of funds for the program in 1963 and to start a similar program in West Pakistan.

⁸⁴ *Ibid.*, p. 112.

⁸⁵ Thus, under the Basic Democracies Order, local councils were given full responsibility for primary education, hospitals and dispensaries, but the Government later reduced the councils' role in these fields to an advisory one. In agriculture, similar tendencies toward centralization are evident in the creation of autonomous provincial and agricultural corporations, leaving the councils in a supporting position.

THE ADVISERS

In contrast to the primary role played by the Harvard Advisory Group in drafting the First Plan, a smaller portion of the Second Plan was actually drafted by the advisers themselves. Moreover, the Chairman of the Planning Commission edited the entire Plan by himself. Nevertheless, the character of the final product and its timing were materially influenced by the Harvard Group by advice, background papers, comments on staff papers and by actual drafting or redrafting of sections of the Plan. Although the foreign advisers made a smaller direct contribution to the Second Plan than to the First, their participation in the drafting of the Second Plan was indispensable. Even after the Plan was published, revisions had to be made and other work done which could not have been carried out by the Planning Commission's staff alone. The need for the advisers was even greater in the Provinces where, before the beginning of 1961, they were virtually the only ones available to conduct provincial planning activities and thereafter were required to advise the newly formed staffs of the provincial Planning and Development Departments.

When the contract with the Advisory Group expired in August 1960, there was no reasonable alternative to renewing the contract, although it had been hoped that by then, both the Planning Commission and the provincial planning organizations would have established themselves as self-sustaining bodies. While the Second Plan was being drafted, it had even proved impossible to follow the original plan to terminate the contract, although the number of advisers was reduced. The contract with the Harvard Group was at first extended for six months and then for an additional two-year period until the spring of 1963. It is now expected that foreign advisers will be needed until 1965 and arrangements have been made to obtain them from Harvard University through the joint financial aid of the Ford Foundation and the United States Government.

At the expiration of the current Harvard contract, almost a decade will have elapsed since the Harvard Advisory Group came to help Pakistan prepare a five-year plan and establish an effective

planning body. The Planning Commission is now accepted as an integral part of Government. It enjoys a higher position than ever before and the prospect that it will continue is good. Nevertheless, after having benefited from the help of some 35 foreign advisers and 20 consultants, the Commission has yet to reach a point where it can adequately perform its functions.

The establishment of viable planning machinery in Pakistan is taking much longer than was expected. Faster progress might have been attained with a different technique or approach, but even at best it probably would have taken a long time to create an indigenous and smoothly functioning planning organization. Pakistan's experience strongly suggests that other countries also will require technical assistance over many years if successful institutions for planning and implementing development are to be created.

FORMULATING THE SECOND PLAN

A principal reason for the shortfalls in implementing the First Plan was the Government's failure to accept the Plan until about half the Plan period had elapsed. In an attempt to avoid a repetition of this experience in the Second Plan, drafting was started two years before the end of the First Plan period.

In preparing the First Plan, the Planning Board had begun work by inviting the central ministries and agencies and the Provincial Governments to submit proposals and projects which were later integrated and developed into the First Plan. Since this approach had not produced satisfactory results, the Planning Board sought to facilitate the preparation of the Second Plan by first producing a tentative framework of the Plan which, after approval by the Central and Provincial Governments, could become the basis for drafting the Second Plan. As a first step, the Planning Board prepared a Working Paper on the Second Plan which took account of suggestions made by Central and Provincial Government officials at the Planning Board's invitation. The Working Paper was submitted to the National Economic Council, but before the Council could act, the military Government took power.

The change in Government, as well as the attendant changes in the central planning agency and its leadership, delayed action on the Plan. A statement of the objectives and size of the Second Plan which had been prepared by the newly renamed Planning Commission was discussed in the Economic Council, and after approval by the Cabinet, was published in July 1959 with a message from the President.⁸⁶ The published document gave only a brief résumé of the Plan's objectives. On the basis of the approved objectives, of a framework of the Second Plan which the Commission had prepared, as well as of the major projects which it was expected would be included in the Plan, a more extensive *Outline of the Second Five Year Plan* was drafted. After the Economic Council had given it general approval, the Outline was released for general information and comments in January 1960.

The President issued a special directive to the central ministries and the Provincial Governments requiring them to study the Plan Outline. The President also asked the entire country to comment freely upon it. The people were promised that their suggestions, if forwarded to either the President's Secretariat or the Planning Commission, would be considered. Besides making the Plan Outline available to central and provincial governmental and quasi-governmental agencies, the Planning Commission sent copies with requests for comments to chambers of commerce and industry and other trade and labor associations, universities and other private organizations. In response, a large number of organizations and people, both official and nonofficial, submitted comments which were considered in preparing the detailed Plan.

The drafting of the Plan, which had begun soon after the Government had approved the Plan's objectives, had proceeded alongside the drafting of the Plan Outline. The detailed Plan was completed and printed in June 1960 and submitted to the Economic Council. In contrast to the long delay in obtaining approval for the Draft First Plan, the principles, objectives and programs of the Second Plan were approved by the Economic Council in June 1960,

⁸⁶ Planning Commission. *Objectives of the Second Five Year Plan*.

the month before the Plan was scheduled to go into effect.⁸⁷ The speed with which the Plan was approved was possible only because the Council's members had already familiarized themselves with its main features when the Council had considered and approved the Plan's Objectives and the Plan Outline. Moreover, since the share of investment resources allocated to East Pakistan was almost four times greater than its expenditures during the First Plan period, there was less need than formerly to placate East Pakistan. In approving the Plan, the Economic Council had directed that major departures from the Plan could be made only with the consent of the Economic Committee of the Cabinet and, in matters of basic importance, only with the approval of the Council itself.

Like the First Plan, the planners had begun preparing the Second Plan by estimating over the five-year Plan period domestic public and private financial resources and external resources from foreign exchange earnings, foreign aid and foreign private investment. Rough estimates were also made to determine the likely manpower resources by categories and the basic raw materials, like steel and cement, which might be available and required to carry out the Plan.

In most fields a dependable basis existed for the preparation of public sector programs. The provincial planning organizations were responsible for drawing up the initial programs. In some fields, like water, power and inland transport, semi-autonomous authorities had been established which were equipped to plan and execute development programs. At the Center, there were also some reasonably competent organizations for preparing and carrying out sector programs. While there was still great scope for improving the quantity and quality of the statistical data, there had been some improvement which facilitated the preparation of the programs.⁸⁸ In larger

⁸⁷ Planning Commission. *The Second Five Year Plan*. Since the beginning of the fiscal year of the Government of Pakistan had been changed from April 1 to July 1, the starting date of the Second Plan was also postponed to July 1, 1960 to conform with the change in the fiscal year. For the same reason, the period of the First Plan, which had been scheduled to end on March 31, 1960, was extended to June 30, 1960.

⁸⁸ One reason for the continued deficiency in statistical data was the absence of an attractive statistical career service. Statistical offices are located in various ministries and departments where they are usually regarded as unimportant appendages.

measure than in the case of the First Plan, the public sector programs which were eventually included in the Plan were based on the proposals received from the central and provincial operating units, although the Planning Commission still found it necessary to do a substantial amount of work on the programs as submitted.

In contrast to the public sector programs, those for the private sector were far less satisfactory. The central ministries and Provincial Governments had been requested to provide proposals for the private and public sectors, but they submitted little information for the private sector. The Planning Commission tried to fill the gap, often by working out the programs itself. Since the data available, especially for industry in East Pakistan, were inadequate, the program for industry reflected this. Because of the almost complete lack of information, no reliable basis existed for estimating the likely amount of private investment in other fields as well, especially in housing and health services. Advisory panels of officials and representatives from the private sector, constituted by the Planning Commission, operated effectively only in a few sectors.

In setting sectoral priorities for the allocation of resources, the planners were primarily guided by five objectives. Four of these were similar to those in the First Plan: (1) achievement of a 20 percent increase in the national income, equal in importance to the other five objectives in the Draft First Plan, but considered the "crucial" objective in the Second Plan, (2) improvement in the balance of payments, (3) acceleration of the rate of development in the country's less developed regions and (4) achievement of an increase in employment opportunities. For increased social welfare services, which constituted the fifth objective of the First Plan, the Second Plan substituted (5) self-sufficiency in food.⁸⁹

These objectives, like those in the First Plan, could be conflicting. Thus, accelerated development of less-developed areas required that production facilities be located in these areas as far as possible without seriously affecting national income targets. The objective

⁸⁹ It was not the planners' intention to ignore the importance of improving current living standards. The Plan itself proposed only a modest increase in domestic savings from 6 percent of gross national product in the First Plan period to 7.8 percent in the Second. This implied that only one-fourth of the estimated increase in per capita income was expected to be saved.

of increasing employment opportunities required that projects utilizing labor-intensive techniques be favored over those utilizing capital-intensive techniques without unduly depressing the volume of output.

In practice, the planners approached the problem pragmatically. They started by directing much of the available resources to agriculture and industry, where high yields were attainable. Targets for developing water and power resources were then set by estimating the amount of irrigation, drainage, flood control and power facilities required for achieving the targets in agriculture and industry. Targets for developing transport facilities were similarly determined on the basis of railways, highways, and other transport required to support the agricultural and industrial programs. Training programs for technicians were worked out by estimating the kind and number of technical personnel required to implement the various sector programs. Some attempt was made to balance sector requirements for raw materials, manpower, transport and foreign exchange with estimated supply in order to insure the Plan's internal consistency.

While the formulation of the public sector programs had proceeded with reasonable dispatch, the preparation of projects to be included in the Plan lagged badly. In July 1958, soon after the Planning Board had begun work on the Second Plan, it had requested the Provincial Governments, central ministries and quasi-governmental agencies to start preparing projects which they wished included in the Second Plan. The last date for submission of projects was to be November 30, 1958. When only a few projects had been submitted by this date, the time for submission was extended, first to May 15, 1959, then to August 1959 and finally to April 1960. However, when the Plan was finally approved by the Economic Council in June 1960, proposals for many projects which were to be carried out during the Second Plan period had not been received by the Commission. Those which had been submitted were often imprecise, showing only rough and tentative cost figures without supporting details. Only in few cases had the preliminary surveys, needed to frame realistic estimates, been completed.

When the Planning Board had originally invited proposals and

projects from sponsoring agencies, it had requested them to indicate the priority of each proposal or project. In most instances, this was not done. Where priorities were given they frequently revealed that the sponsors did not have a clear notion of the Plan's objectives. The central planners themselves therefore felt it necessary to develop and apply criteria for assigning priorities. Since the Second Plan was mainly intended to carry forward the development started under the First Plan, the planners gave high priority to projects started during the First Plan period, whose execution was well advanced, and to those projects which were being financed with foreign aid. They also gave priority to projects which promised to obtain quick results through better use of existing resources and productive capacity. Development funds allocated to the capital-intensive sectors of water, power, transport and communications accounted for over half of the total public outlays under the Plan, but wherever a choice was possible, the planners favored projects which would make use of labor-intensive techniques.

In drafting the Second Five Year Plan, the planners made an effort to profit from the experience of the First Plan by improving the precision and quality of their product. A new classification, designated the "semi-public sector" was introduced to segregate quasi-government bodies from Government or private sectors. The concept of development expenditures was also redefined to exclude most recurring costs for projects in the public sector, which had been included in the First Plan, and to include development outlays by local bodies, which had been excluded in the First Plan.⁹⁰ Although the lack of information about projects to be included in the Plan made it necessary to make lump sum allocations for some sectors, the planners chose not to resort to a percentage reduction for shortfalls in public sector outlays, in order to bring proposed outlays down to the level of estimated resources, as had been done in the First Plan.

These changes represented improvements over the methods used to prepare the First Plan. Significant statistical advances had also

⁹⁰ The huge expenditures for the Indus Basin replacement works were not included in the Plan on the grounds that these works were not primarily developmental or a part of normal replacement of capital.

been made in the First Plan period. Nevertheless, with few exceptions, the Second Plan had been prepared in the face of much the same deficiencies of data as the First. Provincial planning organizations, central operating ministries and the private sector made greater contributions to the Second Plan than they had to the First, but the Second Plan emerged in its essentials as a product of the central planners in Karachi instead of as a composite document which reflected the aspirations or proposals of the national and regional interests most concerned.

THE SECOND PLAN'S PROVISIONS

In formulating the Second Five Year Plan, the planners had made a preliminary attempt at perspective planning for a period of 30 years from 1955, the year the First Plan started. The Second Plan was envisaged as the second in a series of six five-year plans which would "endeavor to speed up the pace of development, to overcome the inadequacies of achievement during the First Plan period."⁹¹ The Second Plan estimated a rate of increase in population of about 1.6 percent in 1960, rising to possibly 1.8 percent in 1965, to reach about 9 percent in the five-year period, 1960-65. On the basis of these assumptions, and of a 20 percent rise in national income, the increase in per capita income would average about 2 percent annually and total about 11 percent for the five years.

To achieve these targets, the Second Plan proposed gross investments of Rs. 19 billion, 65 percent higher than in the First Plan, and estimated to average 13.4 percent of annual gross national product over the Plan period compared with 9.5 percent during the First Plan period. Of the total investment in the Second Plan period, Rs. 9.75 billion were to be in the public sector, Rs. 3.25 billion in the semi-public sector and Rs. 6 billion in the private sector. The Central Government's share of public resources would account for 35 percent of the total and West Pakistan's for 31 percent. In contrast to the First Plan, when East Pakistan's expendi-

⁹¹ Planning Commission. *The Second Five Year Plan*, p. 4.

tures amounted to only 17 percent of total public expenditures, its share under the Second Plan was to be 34 percent. Foreign exchange requirements were estimated at Rs. 6.5 billion, in addition to Rs. 1.5 billion for an expected balance of payments gap for non-development expenditures (called maintenance support) during the Plan period. Like the First Plan, the Second Plan did not include annual phasing of resources and expenditures, except for external aid requirements.

It soon became apparent that the Second Plan was inadequate for a number of reasons. Because the Indus Basin Agreement had not yet been concluded when the Plan was being prepared, it included no provision for the additional physical requirements which the execution of the proposed Works would place on the transportation and other sectors of the economy. In addition, it had become apparent that the cost of achieving the physical targets in the Plan had been underestimated. When the Plan was being formulated, detailed engineering and financial studies had not been available for some projects and programs. As such studies were completed, they revealed that original estimates were too low. Finally, the census of February 1961 had revealed that population had been expanding in the previous decade at an average of 2.1 percent per annum, and, accordingly, the rates of population growth of 1.6 to 1.8 percent assumed in the Plan were too low. If per capita incomes were to increase at the rate of 2 percent per annum proposed in the Plan, physical targets would have to be raised.

After several piecemeal changes proved unsatisfactory as a means of coping with the Plan's inadequacy, the cost of the Second Five Year Plan was totally revised in May 1961. The investment target was increased by Rs. 4 billion to a new total of Rs. 23 billion and the estimate of maintenance support required during the Plan period was changed by Rs. 1 billion to Rs. 2.5 billion. The foreign exchange component of the Plan was also increased from Rs. 6.5 billion to Rs. 8.45 billion, raising the proportion of foreign aid required from 42 percent of total investment outlays in the original Plan to 48 percent for the revised version.⁹²

⁹² The Plan is being financed with the help of large amounts of external assistance. A Consortium, organized by the World Bank in October 1960, has pledged

As a result of the Second Plan's revision and the added income envisaged from the Indus Basin Works and other programs not included in the Second Five-Year Plan, it was now expected that gross national product would rise by 24 percent, instead of 20 percent, over the five-year period of the Plan. However, since population was expected to increase more rapidly than originally estimated, per capita real income was expected to remain virtually unchanged from the amount estimated in the original version of the Plan.

In June 1961, the Economic Council approved the revised Plan. Subsequently, however, in August 1961 the Plan underwent a second revision. Except for a transfer of Rs. 1 billion from housing to agriculture, this revision did not modify the May 1961 estimates for total or sectoral investment. But, it embodied many changes within sectors, the general effect of which was to reduce allocations for some projects of low priority or of long construction duration and to increase those for projects which promised to produce quick results.

The Second Five Year Plan, as revised, gave increased agricultural output the highest priority and, both relatively and absolutely, made much larger allocations to agriculture than did the First Plan. The Plan target called for a rise of 21 percent in foodgrain production to achieve self-sufficiency by 1965. It also emphasized continued industrialization, water resource and power development, transport and communications, and education. Allocations for housing and health were kept low in order to release more resources for investments with higher productivity in the short run. Because "So far the fruits of economic development have been almost completely absorbed in maintaining an increasing population," the Plan also recommended "measures for arresting the menacing growth of population"⁹³ through a program of family planning.

assistance to the extent of \$1,599 million to meet foreign exchange requirements for the first four years of the Plan period. In addition, the United States is to supply surplus agricultural commodities valued at about \$707 million. Some foreign aid is in the form of conventional banking loans, but most of the aid is to be in the form of grants, "soft" loans or loans with long maturity periods.

⁹³ Planning Commission. *Objectives of the Second Five Year Plan*, p. 6.

When the Economic Council approved the revised Plan, it decided that:

the revised figure of Rs. 2,300 crore (\$4,830 million) will be regarded as firm and final. If any new schemes or projects, which are not in the Plan, are proposed at any time to be included in it on account of their importance and urgency, their inclusion will be permissible only by substitution of existing projects and not by additions to the Plan.⁹⁴

A similar decision was made for foreign exchange requirements.

While this determination gives assurance that the size of the revised Plan and the amount of foreign aid required under it are now fixed, Pakistan's requirements for development resources will be greater than in the Second Plan. Besides the Plan, the Government is simultaneously undertaking, or proposing to undertake, a series of other investment programs. A Public Works Program, financed by U.S. P.L. 480 commodity aid counterpart funds, was started in 1962 and expanded in 1963. Further expenditures will have to be made for the Indus Basin Works, the revised cost of which is estimated at \$1,743.9 million.⁹⁵ An enlarged Waterlogging and Salinity "Master Plan" has also been prepared which is expected to cost Rs. 5.9 billion. However, expenditures during the Second Plan period are expected to be modest and most of the impact of this program is expected to be felt in the Third Plan period. Even if additional funds to finance these programs are found, these additional programs will add to the strain on the supply of technical,

⁹⁴ Quoted in Planning Commission. *The Second Five Year Plan, Including Revised Estimates*, p. 7.

⁹⁵ The Indus Basin Works in Pakistan are included in a ten-year program for the construction of a system of works designed to convey waters from the three Western rivers of the Indus Basin to the irrigated areas in the southeast part of West Pakistan. They will replace waters from the Eastern rivers being diverted for use in India. Simultaneously, a construction program is to go forward in India to allow that country to make full use of the water from the Eastern rivers of the Indus Basin. The program is the largest of its kind ever to be undertaken anywhere in the world. It was devised during negotiations between the two countries over an extended period held through the good offices of the World Bank. The program is being financed by a group of six Governments, in addition to India, Pakistan and the World Bank. The World Bank administers an Indus Basin Development Fund, set up to finance the program. The responsibility for carrying out the Works in Pakistan rests with West Pakistan's Water and Power Development Authority.

administrative and managerial talent available to carry out the programs in the Second Plan.

IMPLEMENTING THE SECOND PLAN

In the First Plan period, the Government scarcely made any attempt to adopt measures which the planners considered essential to the execution of the Plan. In sharp contrast, in the implementation of the Second Plan the Government has shown notable interest which has led to many administrative and organizational reforms. The Government has also sponsored a series of conferences and meetings for officials at which problems of plan execution and techniques for improving current implementation procedures have been discussed.

When the Economic Council approved the original version of the Second Plan, it appointed a Study Group, headed by the Chairman of the Planning Commission, to consider the desirability of creating special machinery for implementing the Plan. The Study Group concluded that no new machinery was required and that effective utilization of existing organizations would best assure the Plan's implementation. The Study Group felt that the annual development program was the most practical and effective instrument available for carrying out the Plan and proposed that the timetable for its preparation be improved. It also proposed that central ministries, and central and provincial departments and agencies take steps to improve their methods of initiating and executing projects and programs. The Study Group's proposals were approved by the Cabinet.

The Plan's Relation to the Budget

A decision of the Cabinet required that the execution of the Second Plan be carried out through annual development programs which conformed generally to the Plan's objectives, principles and priorities. The timetable for preparing the central Budget was modified to permit the Budget to include the annual development program. Only projects in the annual development program were

to be included in the Budget. Nevertheless, in the first year of the Second Plan, the Budget deviated substantially from the annual development program, but, in each subsequent year, budgets have come closer to the allocations and priorities proposed in the annual development programs.

When the Cabinet approved the annual development program as the basis for budgetary developmental allocations, it provided that the annual development program would thereafter include, besides information about projects and their domestic and external cost estimates, the economic and physical targets to be achieved each year. In practice, the Planning Commission has not yet produced annual development programs which represent adequately phased statements of the Second Plan and they continue to be little more than listings of projects with allocations of funds.

While the relationship which was established between the annual development program and the Budget provides the most practical means for implementing the Plan, it may also not be sufficiently flexible to allow the Plan to adjust to changing conditions. Often budgetary commitments to projects under way are already so great that only limited resources remain in the annual development program to be allocated to new projects or programs. Operating agencies tend to claim that all their expenditures are for on-going programs and therefore irreducible. The Ministry of Finance has insisted on a more rigorous definition of on-going programs to exclude projects of low priority on which only a small part of the total cost has been spent. In June 1960, the Economic Council appointed a special Committee on the Review of On-Going Schemes, headed by the Deputy Chairman of the Planning Commission to deal with the problem. The Committee's report indicated an urgent need for closer scrutiny of on-going projects, but did little to solve the problem.

Experience had demonstrated the desirability of coordinating the allocation of foreign exchange with the budgetary provision of rupees for approved projects. Under the revised procedures approved by the Cabinet, the annual development program was to indicate the foreign exchange, as well as the rupee, requirements for each project. When the Government approved the annual

development program, its approval was to apply to both the rupee and foreign exchange requirements of the program. To make it possible for the annual development program to include both foreign exchange and rupee requirements, the preparation of the annual foreign exchange and domestic budgets was to be synchronized and both of these were to be submitted together for Government consideration. The foreign exchange budget was to match total estimated foreign exchange resources against the requirements of the private sector, as well as for public investment and non-development expenditures.

While these measures laid the groundwork for a closer relationship between critically short, foreign exchange resources, on the one hand, and the Plan and budgets, on the other, they could be made effective only if an adequate foreign exchange allocation policy were developed. However, the problem of allocating foreign exchange is complicated by the fact that Pakistan is heavily dependent on aid-giving countries. In principle, foreign aid may be pledged, but in practice funds are frequently forthcoming only after protracted negotiations and delays. Actually, therefore, foreign exchange allocations are often made with no certainty that funds will become available to specific projects or programs in time for them to move forward on schedule. There is also need for the Planning Commission to strengthen its staff work to furnish the Foreign Exchange Control Board with information required to improve the basis on which allocations are made. To a considerable extent foreign exchange allocations have not adequately reflected Plan objectives. As a result, many projects included in annual development programs and budgets cannot be carried out because of foreign exchange shortages.

The Government has also made changes in budgeting and financial control procedures. The most important of these was the abolition of the dilatory system by which the Ministry of Finance cleared expenditures against funds already allocated in the Budget. The new procedure involves a substantial delegation of powers formerly exercised by the Ministry of Finance to the operating agencies. When a project has been approved and funds for it have been allocated in the regular budget, the responsible executing agency may,

with some minor exceptions, make expenditures within budgetary limits without further reference to the Ministry of Finance. It is hoped that the new system will permit operating agencies to accelerate the implementation of projects and programs.

The Central Development Working Party

In July 1959, the Economic Council had approved a new set of procedures for the central Development Working Party. These reaffirmed the basic principle laid down when the Development Working Party was created that all projects presented for the Central Government's approval had to be examined by central ministries jointly and simultaneously instead of in succession. This requirement had been largely vitiated by the Ministry of Finance's insistence on a separate review of projects after their approval by the Working Party. The new procedures provided that the Ministry of Finance would no longer have the right of separate review except where a project involved the services of a consultant or a foreign technician. Even in these cases, the Ministry, and other central bodies considering projects, were given a maximum period of two weeks to complete studies of a project. Where a Ministry or agency unduly delayed action, the Working Party was authorized to submit the project to the Economic Council without the approval of the ministry or agency responsible for the delay.

The Planning Commission was made responsible for arranging the Development Working Party's meetings and the Deputy Chairman of the Commission became its presiding officer. More recently, the Secretary of the Commission was made Chairman. The membership of the Working Party was increased to include representatives of the Projects Division, until it was abolished, the Ministry of Finance, the Economic Affairs Division of the Presidential Secretariat, for projects requiring foreign aid, and the department or agency sponsoring the project under consideration. In order that members of the Working Party might be in position to speak for their ministries, departments or agencies, representatives were required to have the rank of secretary or joint secretary.

Although ministries, departments and agencies are now represented by high level civil servants, many do not have enough knowl-

edge of economics to grasp all the important issues which are discussed. Nevertheless, the Development Working Party, which now virtually operates as an arm of the Planning Commission, is evolving into a reasonably effective agency for reviewing projects to be included in the Second Plan and the annual development programs. The Working Party's emphasis on adequate technical and other preparation before a project is approved for inclusion in the annual development program and the Budget has had a salutary influence on the preparation of projects by sponsoring bodies. It has also had an exemplary effect on the activities of the provincial Development Working Parties. One factor still limiting the effectiveness of the Working Parties is the lack of soundly devised investment criteria which can be applied generally to projects and programs. Present criteria, some of which are obsolete or otherwise inapplicable, are taken from a variety of sources, such as railway and Water and Power Authority manuals. Because the central Development Working Party is one of two points for central control over implementation of the Plan, it has become a bargaining center where provincial interests are most effectively represented.⁹⁶ This aspect of the central Development Working Party is likely to become even more significant since Provincial Governments are now authorized to submit most development projects and programs directly to the central Development Working Party without prior detailed scrutiny by central ministries.⁹⁷

Project Preparation and Execution

The failure of sponsoring departments and agencies to come forward with enough projects by the time the Second Plan was approved has delayed the Plan's implementation. Under pressure from the Planning Commission and the Development Working

⁹⁶ The Foreign Exchange Control Committee, which allocates foreign exchange, is the second point of control. Representatives of the Planning Commission and the Provincial Finance and Planning and Development Departments attend meetings of the Foreign Exchange Control Committee, to give them an opportunity to present their points of view when the Committee makes decisions on foreign exchange allocations.

⁹⁷ Under the new Constitution adopted in March 1962, Provincial Governments are now primarily responsible for programs in industry, fuel, power, food, agriculture, health, labor, social welfare and education.

Parties, operating departments belatedly prepared proposals. For about a year after the Plan was issued, the central Development Working Party assembled and scrutinized estimates which had been received too late for inclusion in the Plan. The projects had generally been prepared hurriedly and information which the Working Party needed to judge their technical and economic soundness often was not supplied. Some proposals and projects were overly ambitious. Since many had to be returned for additional information or modification their approval was delayed. Almost every department sought approval for projects which had not been envisaged in the Plan. This brought further delays while sectoral programs were adjusted to make room for the new projects.⁹⁸

Projects were usually presented for approval on the basis of their financial implications without much information about the physical or management problems which were likely to be encountered. Preliminary investigations and surveys essential to the formulation of well-conceived projects were rarely carried out. After their approval, many projects ran into difficulties which greatly delayed their execution. In agriculture, especially, projects have frequently been retarded unduly because of problems encountered in acquiring land which the sponsoring agency had assumed would be available as soon as funds were obtained. In some cases, no specific site for the project had been selected. After the projects were approved, it was found that land was either unobtainable or much more expensive than expected; or because of shortages of water, inadequacies of soil, lack of communications or necessary technical personnel, execution of the projects was impossible or involved much higher costs or basic revision. Inadequate procurement machinery also caused execution of many projects to lag. Delays tended to increase costs, which in turn made it necessary for various governmental bodies to re-examine and reapprove the projects. Such revisions

⁹⁸ Some agencies have continued to make substantial modifications in their projects and programs which have required further revisions in the sector programs of the Plan. Although the Planning Commission recognizes that the Plan must be flexible enough to accommodate revisions required by changing circumstances, some changes requested by operating agencies appear to be due more to uncertainty about the right approach toward Plan objectives than to a desire to adjust to new situations.

sometimes delayed the project's progress as much as the physical limitations themselves.

In submitting proposals, some departments and agencies had provided only rough cost estimates based on untested assumptions or on price schedules which were already or would soon be outdated. Often only guesses were included for the cost of land, materials, machinery or construction. For many projects, costs were underestimated and benefits likely to accrue were overestimated with the result that cost-benefit ratios proved to be unrealistic. Sometimes the eventual costs were so large compared to the original estimates that the project became uneconomic, but by the time this was realized the execution of some projects had gone too far to stop them. The Planning Commission has taken a leading role in getting executing departments and agencies to improve their costing practices, but it is no easy task. In a frank statement of the problem, the Deputy Chairman of the Commission conceded that there is still great waste of resources and that estimates were almost always exceeded.⁹⁹

As a result of the efforts of the Planning Commission, criticism of ill-prepared projects and programs from the central and provincial Development Working Parties and difficulties encountered with aid-giving agencies, there has recently been discernible a growing emphasis on adequate project preparation in operating departments and agencies. There has also been a shortage of adequately engineered projects needed to achieve Plan targets. Because of the great shortage of Pakistani technicians, Government agencies are engaging many well-known foreign engineering firms and consultants to supervise the preparation and execution of projects. Foreign firms have also made a series of pre-investment surveys, including transportation studies in both Provinces, a forest inventory in East Pakistan and water, salinity and power studies in West

⁹⁹ Said Hasan: *Inaugural Address, to the Training Course in "Planning for Development."* Held under the auspices of the Planning Commission and the Institute of Development Economics. Karachi. July 9, 1962. More careful costing procedures could greatly reduce the discrepancies between estimated and actual costs of projects. But if a project is to be financed with "tied" foreign aid, it may be difficult to estimate the cost since it depends ultimately on which country finances the project. Prices charged by aid-giving countries may vary by as much as 40 or 50%.

Pakistan. It is hoped that the Third Five Year Plan, on which work has already started, will thus be based, to a much greater extent than the Second Plan, on a series of pre-investment studies, sectoral plans and improved research and statistics. However, there is considerable room for further improvement. The greatest need is for foreign advisers and specialists to train Pakistanis who will be able ultimately to prepare, carry out and operate projects.

Besides inordinate delays in the preparation of projects and excessive increases in costs, accounting practices followed by executing bodies often preclude the possibility of obtaining useful progress reports. There are three systems of accounting in use in Pakistan. The government system is used on government projects, while the commercial system of cost accounting is generally employed by autonomous agencies like the Pakistan Industrial Development Corporation and the provincial Water and Power Authorities. For some projects, accounts are based on a third system which is partly government and partly commercial. While all have defects, the government accounting system is generally less appropriate for development projects than one based on commercial concepts. Accounts often are not maintained to keep pace with the execution of the project. Because expenditures frequently are not entered as they occur, huge sums amounting to crores of rupees, remain in suspense accounts which have become convenient depositories for disbursements of unidentified purpose. In many cases, accounts remain unclosed for long periods after completion of the project. Consequently, it is often impossible to determine its capital cost or its recurrent costs. If the project is a plant which is to produce and sell commodities or services, it is difficult to estimate costs of production and to fix selling prices for the output which will bring an appropriate return on investment.

Administrative Reforms

As a result of investigations carried out by several official committees, the ministerial and departmental structure of the Central Government has undergone changes which should help expedite the Second Plan's implementation. Many functions have been transferred to Provincial Governments. Some ministries, like the Min-

istry of Food and Agriculture, have been reconstituted; some functions have been separated and embodied in self-contained units, as in the Ministry of Works; others have been combined into a single ministry, like those of the Ministry of Health, Labor and Social Welfare; several ministries, like the Ministry of Fuel, Power and Natural Resources, have been created to deal specifically with urgent problems. Departments and divisions have been rearranged and reorganized to conform with the changes at the ministry level.

Procedures and administration within the ministries have also undergone considerable reorganization. One sweeping reform reduced the much criticized overstaffing of secretariats by eliminating several layers of junior secretariat staff.¹⁰⁰ To counteract the over-centralization of authority which has hampered effective operations, the Government has adopted and is enforcing the principle that central ministries shall concern themselves exclusively with questions of policy and shall delegate their executive functions. It is therefore emphasizing the importance of administrative decentralization from secretariats to departments and from departments to divisional and district representatives. A good deal has been done to decentralize executive responsibility, but it is necessarily a slow process:

Exercise of power is habit forming; and the administrative tradition of the Indo-Pakistan sub-continent has been that of centralization of authority. But long-established attitudes apart, there are some real difficulties to be overcome. The distinction between policy formulation (the staff function) and executive determination (the line function) is not always clear in practice; . . . centralized co-ordination of development projects and programmes, inescapable in a planned economy, has led to a further concentration of authority in the central government.¹⁰¹

Apart from eliminating unnecessary layers of personnel in the secretariats, a shift is also taking place from the generalist to the

¹⁰⁰ G. Ahmed, in "Changes in the Administrative Organization of the Government of Pakistan since 1953" (*Public Administration*, (London), Winter 1961, p. 357) lists six layers (the lower divisional clerk, the upper division clerk, the assistant, the superintendent, the assistant secretary and the under secretary) which were replaced by a section officer with the rank of under secretary.

¹⁰¹ *Ibid.*, p. 358.

specialist. But much needs to be done before a proper balance has been struck and the necessary replacement of generalists by technicians is likely to take time. It will first be necessary to define more clearly the proper role and authority of generalists and technicians. Civil service regulations and procedures will have to be reconsidered and legislation amended. The great shortage of technicians in all sectors adds to the difficulty, especially in the agricultural services. While new technical, agricultural and engineering schools are being established and existing facilities are being expanded, it will take years to meet the growing demand for qualified technicians in the country. Even when more technicians become available, the Government will have to take steps to raise the status of technicians in relation to generalists, by increasing technicians' salaries and promotional opportunities, in order to attract the number and quality of technicians required to carry out development programs.

The Government's program for decentralizing planning and implementation also entails a considerable reorganization of the Provincial Governments. Some changes have already taken place, but the task of decentralization from Provincial levels down to divisional and district levels still remains to be accomplished. Frequent and haphazard changes in organization, often superficial in nature, have led to delays in implementing plans. There have been cases where projects have been transferred from one department to a second and then to a third within short periods of time. When new departments have been created, they sometimes did not have enough staff to carry out projects entrusted to them. Because of frequent shifts or lack of staff, it has not been unusual to find projects languishing or even abandoned.

Perhaps the most striking change in development administration has been the shift from slow-moving operating departments to "government by corporations."¹⁰² In April 1958, the Water and Power Development Authority (WAPDA) of West Pakistan was established as a semi-autonomous agency and in 1959 a similar Authority was established in East Pakistan. These Authorities have been given responsibility for building and operating water regula-

¹⁰² *Ibid.*, p. 355.

tion and power facilities in their respective Provinces. They function on a commercial basis, setting rates at levels which cover operating costs, interest charges, depreciation and taxes, and provide for a reasonable return on investment. Although they have been in existence for only a short time, both Authorities have already demonstrated their superiority over regular government departments in carrying out irrigation, drainage and flood control projects. With the aid of consultants, the West Pakistan WAPDA has prepared and is implementing a comprehensive plan for unified and multipurpose development and use of the water and power resources in its Province. The East Pakistan WAPDA is preparing a similar plan for its own Province.

An Inland Water Transport Authority has been created in East Pakistan and the railways have been placed under the authority of Provincial Railway Corporations. A Food and Agriculture Commission, set up by the Government in July 1959, concluded that the past rate of growth of agricultural production had been unsatisfactory and that existing departments and agencies were not able to accelerate agricultural development sufficiently to meet the country's needs. On the basis of the Commission's recommendation, an autonomous Agricultural Development Corporation, patterned on the Water and Power Authorities, was set up in each Province. The Agricultural Development Corporations are responsible for providing adequate and timely supplies of agricultural requisites like seed and fertilizers to farmers, and for conducting intensive integrated development programs in selected project areas. As semi-autonomous agencies, the Corporations are expected to operate more flexibly and effectively than regular government departments and to attract the qualified technicians and administrators needed for successful implementation of the agricultural development program. One year after their establishment, however, their organization and precise functions had not been clearly defined. The resultant uncertainty has slowed down implementation of agricultural programs. In spite of reforms, therefore, organizational and administrative limitations continue as serious bottlenecks in the execution of the agricultural program.

Organizational, administrative and technical problems are par-

ticularly pressing in East Pakistan, since its development program under the Second Plan is four times larger than under the First Plan. The Provincial Reorganisation Committee, which the Central Government appointed to recommend changes in Provincial administration, reported in April 1962 that East Pakistan's governmental organization:

suffers from over-centralisation, absence of co-ordination at vital points of contact with the public, outmoded methods and procedures of work, delays and duplication, and a general inadequacy to deal with its new and enlarged responsibilities.¹⁰⁸

The Committee made a number of recommendations for strengthening the major departments to equip them for their enlarged responsibilities under the new Constitution. These included proposals for simplifying procedures, removing administrative and financial bottlenecks in the execution of developmental programs, and decentralizing many departmental activities to divisional, district and local levels. The Cabinet approved all the recommendations and constituted a special "implementation cell" in the East Pakistan Government under an Additional Chief Secretary to carry out the Committee's recommendations by September 1962. The President also directed that a progress report on the implementation of the recommendations be sent to him every fortnight.

The Government's increased interest and effort gives reason for hope that central and provincial administrative and organizational problems will be solved. Pakistan has now had several years of experience in development administration. It has built up an experienced cadre of senior administrators and managers around whom newly trained technicians can be grouped. More than ever before, there is an awareness of the need to improve administrative procedures and organization, evidenced by the recent establishment of an Administrative Staff College, of schools of public administration and of a variety of other intensive training programs for senior officers in the public service, the armed forces, semi-autonomous agencies and private industry. But much needs to be done to fill the need for trained personnel at all levels and in all sectors.

¹⁰⁸ Government press communique as quoted in *Dawn* (newspaper), April 25, 1962.

The Private Sector

These programs should eventually make available a substantial supply of qualified administrators. But the action which promises to make more administrators available at an early date is the Government decision to rely in the future primarily on the market and on fiscal and monetary measures instead of on direct price, profit and physical controls, a decision which logically followed the "basic assumption of the [Second] Plan that for the implementation of the industrial development programme reliance will be placed primarily on private enterprise."¹⁰⁴

Official acceptance of the fact that private enterprise had a key role to play in the economic development of the country was based on industry's manifest record of achievement during the First Plan period rather than on a desire to reduce public investment expenditures. Although Government fiscal and other incentives had helped speed private industrial development, the Government now recognized that industrial development had, on the whole, been unnecessarily slowed down by the multiplicity of official restrictions on its activities.

In the First Plan period, the principal limitation on the development of the private sector had been the shortage of foreign exchange, for which public projects and programs had been given priority:

There has been a tendency in the past to let private industry bear the brunt of cuts in foreign exchange allocations. As a result, the operating efficiency of many private concerns was seriously hampered. Controls over privately operated industries remained cumbersome; . . . But for these disabilities and particularly the shortage of foreign exchange, private industry would have developed still more rapidly.¹⁰⁵

In order to insure that the private sector obtains a reasonable share of the available foreign exchange resources under the Second Plan, the Ministry of Industry functions as the private sector's representative on the Foreign Exchange Control Committee.

¹⁰⁴ Planning Commission. *The Second Five Year Plan*, p. 225.

¹⁰⁵ *Ibid.*

Experience during the First Plan period had made it clear that Pakistan could ill afford to devote its scarce administrative talent to the task of supervising an extensive and complicated system of controls on capital issues, prices, profits, imports, exports and the movement and distribution of many kinds of goods and services. In a striking official change of policy, the Second Plan therefore proposed "to free the economy as much as possible from controls in the industrial, commercial and agricultural sectors, and to rely increasingly upon private initiative and judgment."¹⁰⁶ Because of extremely scarce resources in some fields, some controls, e.g., on imports, would have to be continued. But where this was necessary, they would be simplified, and as much as possible changed to indirect controls to guide private activity without regulating it in detail. With the help of taxes, subsidies, and fiscal and monetary policies, the greatest reliance would be placed on the price mechanism to equate supply and demand.

The Government has begun to eliminate controls. Price and distribution controls have been lifted from wheat, cotton textiles, yarn and many other commodities. Import restrictions have been relaxed and about one-third of all import items have been placed on the automatic licensing list. The Export Bonus Scheme, as an export incentive, gives exporters the right to a proportion of their foreign exchange proceeds freely to import a large variety of items. Bonus vouchers, which represent this right to import, are traded at a substantial premium in the local securities markets. Apart from its success in stimulating industrial exports, the system has provided valuable flexibility in procuring urgently needed imports.

Sixty percent of proposed industrial investment under the Second Plan is to be made in the private sector. Although public industrial investment, to be carried out mainly by PIDC, will still be important, no industry has been wholly reserved for the public sector. The public investment program is intended to establish and expand only those branches of industry which are essential for the country's security or national development and for which private capital is not forthcoming.

¹⁰⁶ *Ibid.*

The Plan envisaged that private capital would not be available in the required amounts to insure East Pakistan's industrial growth and for the establishment of some important industrial ventures in West Pakistan. In such cases, PIDC would take the initiative. It would endeavor to associate itself in these undertakings with private investors. As in the past, the Corporation would be guided by the requirement in its Charter that it dispose of its enterprises when private entrepreneurs are capable and ready to take them over.¹⁰⁷

Steps were also taken to expedite the expansion of private capacity in branches of industry which the Government wished to see develop. The Second Plan provides for preference to be given for the establishment or expansion of industrial enterprises which will bring about the modernization, balancing or optimum utilization of existing capacity. The establishment of new capacity is approved where sponsors can demonstrate that it will make a large net contribution to national income, will increase net foreign exchange earnings, will be based mainly on the use of indigenous raw materials, will produce certain types of capital goods, which must now be imported, or produce essential consumer goods. For the purpose of applying these criteria, the Government established, in July 1960, an Industrial Investment Schedule which set ceilings for 107 branches of industry which were eligible for private investment. If a private project came within the scope of the Schedule, the granting of permission for establishing or expanding an enterprise was made semi-automatic and independent of special applications.

Applications from private investors far exceeded the limits prescribed in the Schedule, and the Government, under pressure from private investors, approved projects in an amount well above the total ceiling in the Schedule. A revised Industrial Investment Schedule covering 114 items was issued in February 1963. Nevertheless, only 30 percent of the amount of investments approved under the Schedule had actually been committed to projects at the end of the first two years of the Plan period. Experience with the Schedule thus far indicates that it is far from an ideal way to pro-

¹⁰⁷ As part of the current decentralization movement, PIDC has been divided into two provincial industrial development corporations, each of which attempts to do for its own territory what PIDC had done on a national scale.

mote private industrial investment. Originally intended as a general guide to branches of industry to which private industrial investment might be directed, the Schedule has become a bureaucratic instrument of control which tends to restrict industrial expansion instead of assuring its development along socially and economically desirable lines.

In order to improve further the climate for domestic and foreign private investment, a variety of incentives have been provided. The tax on dividends of industrial enterprises has been reduced; undertakings established during the Second Plan period are generally exempt from taxation for four, six or eight years depending on the areas in which they are located; losses may be carried forward for six years and liberal depreciation allowances, in addition to the regular rates, are allowed on plants and machinery not previously used in Pakistan. In order to attract foreign capital, various concessions and safeguards are given to foreign private industrial investors. There are no restrictions on the remittance of profits and the repatriation of capital in approved industries established after September 1, 1954. There are double taxation agreements with several countries. There is to be no restriction on the degree of participation of Pakistani capital in any industry where foreign investment is approved by the Government. Foreign technicians employed by approved industrial undertakings, under contracts of service approved by the Central Government, have been exempted from tax on their salary in Pakistan for a period of two years.

The Government has also sought to stimulate private industry by making an interest-free loan of Rs. 30 million, and by sponsoring external loans from the World Bank and other Consortium members to the Pakistan Industrial Credit and Investment Corporation (PICIC), the most important institution in the country financing the capital needs, especially for foreign exchange, of private large and medium-sized industrial enterprises. PICIC, which has made a substantial contribution to the development of Pakistan's industry, has expanded its operations greatly during the Second Plan period.¹⁰⁸ The Pakistan Industrial Finance Corporation (PIFCO)

¹⁰⁸ PICIC was incorporated in 1957 with initial paid-up capital of Rs. 20 million. Private Pakistani investors contributed 60 percent of the capital and industrial and

was established to play a part similar to that of PICIC in the field of small and medium-scale industry. It also acts as financial agent for certain loans directly sponsored by Government to large and medium-scale industry. In 1961, it was reorganized into a new Industrial Development Bank.

As a result of the Government's new attitude toward private enterprise and the measures it is taking to promote private investment, the outlook for fulfillment of the private industrial program is promising. The industries which the Plan wishes to encourage in the private sector, i.e., cotton and jute textiles, light consumer goods using local materials, cement, etc., are those which Pakistani entrepreneurs favor. The record of the first two years of the Plan period has already demonstrated that the Government's policy is producing results.

The Government and the Plan

Although the shift in the official attitude toward businessmen has been a significant factor in improving the outlook for the Plan, the decisive element has been the Government's unfailing commitment to the Plan. Stimulated in part by a desire to obtain increased amounts of aid from foreign donors and lending agencies which put a high premium on planned development and, in part, by the example of Indian planning, the present Government has from the start demonstrated an interest in the problems of planning and implementation of development which is in encouraging contrast to the past. The Planning Commission's elevation in status began almost immediately after the change of Government in October 1958. It has continued until the Commission has become one of the most effective organs of Government. When the Second Plan was drafted, it was adopted by the Economic Council without delay prior to the start of the planning period. This, again, contrasted strikingly with the experience of the First Plan, which was not accepted by the then

financial interests from the United States, the United Kingdom, Canada and Japan contributed the remaining 40 percent. The Pakistan Government, the World Bank and several foreign countries have all made loans to the Corporation. PICIC primarily serves privately owned, large and medium-scale industries with loans above Rs. 100,000.

National Economic Council until two years of the Plan period had passed.

The President of the Republic has given his full support to the Plan. When the Plan's Objectives and, later, the Plan Outline were published, he made strongly worded appeals commending the documents to officials and the people for study and comment. Again, a few hours after the Plan was approved by the Economic Council, he made a nation wide broadcast exhorting his countrymen to make a "most determined effort" and the sacrifices needed to carry out the Plan. These steps were then followed up with concrete measures to insure the Plan's execution.

The Economic Council made it clear when it approved the Plan that ministries, departments and agencies were expected to adhere to it. The Council decision provided that no major change could be made in the Plan without the approval of the Economic Committee of the Cabinet and, in fundamental matters, without the Council's approval. In order to bring home to everyone the importance which the Council gave to the Plan, its decision was reproduced on a separate page at the beginning of the Plan document.¹⁰⁸

During the First Plan period, civil servants had often found it impossible to get political leaders to make fundamental decisions. The evasion of decisions and the lack of vigorous action, as well as weak and sporadic political control, bred indifference, skepticism, and inefficiency in the civil service. Many civil servants were uncommitted to the country's development and their lack of interest in the objectives of the First Plan had its effects on results.

Under the firmer direction of a stable Government, a spirit more appropriate to development needs is beginning to take hold within the civil service. With clear-cut policies and a judicious use of the "carrot and the stick," the political leadership is providing the civil service with both direction and incentives for improving develop-

¹⁰⁸ Planning Commission. *The Second Five Year Plan*. Frontispiece. The full statement is as follows: "On 21 June 1960, the Economic Council of the Government of Pakistan accorded its general approval to the objectives, principles, and programmes of development contained in the Second Five Year Plan. The Council further decided that no major departure from the Plan should be made without the approval of the Economic Committee of the Cabinet and, in matters of fundamental importance, without the approval of the Economic Council."

ment administration. Everyone knows that the President has made the Plan his own. This commitment on the part of the country's leader tends to be contagious. Formerly intractable problems are somehow beginning to be resolved because the will to do so is present.

The Government's interest in economic development has made it possible to make a start toward reorganizing and rationalizing administration and toward adjusting to changing conditions. It provides private businessmen with the assurance they require to increase investment and makes it possible to obtain foreign financial and technical assistance. Thus, while the prospects for the First Plan were bad from the start, prospects for the Second Five Year Plan are better. This much is apparent from the Plan's achievements thus far.

RESULTS AFTER TWO YEARS

At the end of the first two years of the Second Plan period, the national income had risen by 11 percent and per capita income by almost 7 percent.¹¹⁰ If incomes continue to increase at the same rates, the five-year targets, which call for increases of 24 percent in national income and 12 percent in per capita income, will be exceeded. Despite bottlenecks caused by scarcities of skilled personnel, especially foremen and experienced maintenance men, large-scale industrial production increased by about 23 percent. On the basis of the expected rate of growth during the next three years, there should be little difficulty in achieving the planned increase of 60 percent in 1964/65, the last year of the Plan period. Indeed, for some manufactures, e.g., vegetable ghee and ammonium sulphate, the five-year targets have already been exceeded; for others, e.g., paper, paper board and cigarettes, output was well above the targets

¹¹⁰ The data in this section come largely from the Planning Commission's *Mid-Plan Review of Progress* in 1960/61-1961/62 under the Second Five Year Plan. A less optimistic, but still favorable evaluation of the results obtained may be found in Power, John H., "Two Years of Pakistan's Second Plan," *The Pakistan Development Review* (Karachi), Vol. III, Spring 1963, No. 1.

for the first two years.¹¹¹ The high rate of industrial progress has been officially attributed in large measure to Government incentives to investors, policies which permit private enterprise to operate under market conditions freed from many restraints, increased imports of essential materials and fuller utilization of existing capacity.¹¹²

Progress has also been satisfactory in mining, transport and communications. Some power and water projects started before the Second Plan period were completed in the first two years of the Second Plan period. As a result, installed power generating capacity increased by 30 percent in the first two years of the Second Plan. The volume of electricity generated was 54 percent greater. In East Pakistan, 1.4 million acres were safeguarded against sea water and floods and in West Pakistan, 255,000 acres were brought under cultivation. An area of 465,000 acres in both Provinces was provided with irrigation facilities.

Of even greater significance than the growth in other sectors was the 13 percent increase in agricultural production. The improvement was particularly great in foodgrains, the output of which rose by 20 percent. This increase was close to the target of 21 percent set for the five years of the Plan period. Agricultural production suffered a setback in 1962/63 because of drought in West Pakistan and floods in East Pakistan, but output was still higher than in 1960/61. While the growth of agricultural output in the first two years of the Plan period was mostly due to favorable weather, past investments in flood control, drainage and irrigation, as well as improved extension services, also contributed to the results.

Government investment during the two years was equal to over 90 percent of budgetary provisions, and private investment was somewhat higher. Investments in water and power development, transport and communications and social services proceeded at a

¹¹¹ The threat of mal-investment and over-investment, which was especially serious in the First Plan period, remains. Thus, in 1962, installed capacity in the vegetable ghee industry was already five times the target fixed for 1964/65.

¹¹² Speech delivered by S. A. Hasnie, Governor, State Bank of Pakistan, at the 14th Annual General Meeting, 1st September, 1962, Lahore, Pakistan, as reported in IMF International Financial News Survey, Vol. 14, no. 40, October 12, 1962, p. 1.

generally satisfactory pace. However, development outlays for agriculture amounted to only one-fifth of the amount allocated for that sector. Progress in investment has been slowed by the absence of effective machinery for promoting agricultural development. To some extent shortfalls in public development expenditures were offset by an increase in agricultural bank credit. Despite lower than expected outlays, public expenditures for agricultural development have been about three times greater than similar expenditures at the outset of the First Five Year Plan.

Public outlays for mining and manufacturing also lagged behind Plan investment targets, due to lower than expected expenditures on oil and gas exploration. The lag in public industrial investment is considered temporary, the main delay appearing to be due to the bifurcation of the Pakistan Industrial Development Corporation into provincial development agencies. Lower outlays than expected were also made in education and welfare services.

Pakistan still faces many vexing questions. Foremost is the problem of a rapid rate of population growth, especially in East Pakistan. Despite favorable agricultural yields in the first two years of the Plan period, underemployment and low productivity still handicap agricultural output. The level of domestic savings also remains below desirable levels.

On the whole, however, at the end of two years, Pakistan can claim encouraging results from the implementation of the Second Five Year Plan. The main shortcomings have been caused by inadequacies of technical skills and inadequate organization. Since strenuous efforts are being made to train more technicians and to rationalize organization and administration there is hope that these difficulties can be mitigated in the remaining three years of the Plan period.

VI.

The Third Five Year Plan

THE GESTATION of Pakistan's Third Five Year Plan has begun and the broad outlines of the Planning Commission's initial thinking were presented to the National Economic Council on May 25, 1963. In his annual budget speech for 1963/64, the Minister of Finance stated:

The targets will be much more ambitious than those of the Second Plan, as they ought to be. There should be substantial progress toward closing the gap in income between the two wings and in reducing our dependence on foreign aid. Industrial development, particularly of heavy industries and those oriented to exports, will be stressed.

According to press accounts,¹¹³ the Third Plan, to be implemented during 1965/70, will provide for total expenditures of Rs. 43.5 billion (US \$9,135 million). Gross investment in the public sector is estimated at Rs. 32 billion, and after allowing for a shortfall of 10 percent, to Rs. 28.5 billion. Outlays in the private sector will amount to Rs. 15 billion. Of gross public expenditures, Rs. 3.5 billion will be for the Central Government's development program, Rs. 15 billion for East Pakistan's and Rs. 13.5 billion for West Pakistan's.

Among the targets listed for the Third Plan are (1) an increase in national income of 30 percent compared with a target of 24 percent in the Second Plan, (2) a reduction in the foreign exchange component of the Third Plan to 40 percent of total outlays from about 48 percent in the Second Plan, (3) an increase in the rate of domestic savings from a level of about 8 percent of gross national

¹¹³ *Dawn*, Karachi, Pakistan, May 25, 1963.

product to about 14 percent by the end of the Third Plan, (4) an increase of investment from about 13 percent of gross national product to over 20 percent, and (5) a reduction of 25 percent by 1970 in the regional disparity in per capita incomes.

At the same meeting of the National Economic Council which approved the outlines of the Third Plan, the Planning Commission also presented a Twenty-Year Perspective Plan for 1965/85. During the Perspective Plan Period, per capita income is to treble from the 1962 level of Rs. 335 and the country is expected to reach full employment.

VII.

Evaluation and Conclusions

THE RESULTS of economic planning in Pakistan have been described as “brilliant, uneven and inadequate.”¹¹⁴ Impressive gains have been made in power generation, construction of housing and government buildings, and port development. But progress has been more spotty in irrigation, land reclamation, and in the development of roads, inland waterways and small-scale industry. Finally, the results of planning have been inadequate in agriculture, which has lagged badly. Despite some recent improvement, this sector remains the weak point in Pakistan’s economic development. Moreover, while the foundations of an industrial complex have been laid, “revealing a degree of managerial and entrepreneurial ability which was wholly unsuspected,”¹¹⁵ planning can claim little credit for this development.

Several uncontrollable factors, like unfavorable weather and the deterioration in the terms of trade, have hampered economic growth, but political instability and the consequent absence of sustained governmental support for economic development were the prime impediments to progress. The lack of strong Government commitment to economic development as well as a lack of official awareness of what needed to be done during most of the First Plan period, made it impossible to deal effectively with administrative and organizational deficiencies or to counteract the acute shortage of managers, technicians and skilled workers at all levels and in all sectors by making efficient use of the available supply, supplement-

¹¹⁴ “Planning in Pakistan,” *Planning* (London), Vol. 25, no. 433, 20 April 1959, p. 106.

¹¹⁵ Planning Commission. *The Second Five Year Plan*, p. 220.

ing it with an adequate number of foreign technicians in the short run, and training additional Pakistani personnel for the longer run.

Nevertheless, much was accomplished in the aftermath of the catastrophic circumstances in which Pakistan obtained its independence. Essential services were re-created and expanded. Trade, commerce, banking, transport, public services and the government itself were re-established and developed. Investments made during the first twelve years of the country's existence transformed a faltering economy into one which is making solid progress.

The Government gives every indication that it is seeking and applying measures required to reach this goal, although it recognizes that "the path . . . will be long and hard."¹¹⁶ Organizational machinery and administrative procedures are being refashioned and reinforced; official obstacles to private initiative are giving way to investment incentives for both domestic and foreign industrial entrepreneurs; the climate for planning is being made more favorable both at the Center and in the Provinces.

The Planning Commission has become one of the most effective agencies in Government. Since October 1958, when it was moved from the jurisdiction of the Minister of Economic Affairs to the President's Secretariat, its status has greatly improved. Pakistan's experience clearly indicates the importance of locating the central planning agency at the highest level of government. It is true that the central planning body was better off at the beginning under a Minister of Economic Affairs who was interested in planning than it was later under a Prime Minister who was not, but only because the Minister of Economic Affairs was then the most powerful Minister in the Government. When he left, the effectiveness of the planning body under the Ministers of Economic Affairs who followed, declined sharply.

Pakistan's experience also demonstrates the importance of political stability and the necessity of having the strong support of the country's political leadership for the planning body. Without that support, the planning body was ineffectual even though the Prime Minister headed it; with that support, the Planning Commission has

¹¹⁶ *Ibid.*, p. 3.

made good progress in performing its functions. After many failures, it has now succeeded in acquiring two prerogatives essential to effective planning: the right to prepare annual development plans which form the basis for budgetary allocations and the right to review and evaluate the implementation of plans.

One of the key lessons revealed by Pakistan's experience is the importance of relating plans to basic, economic, financial and fiscal policies. Until recently various Government bodies adopted policies without any consistent attempt to relate them to the objectives of the plans prepared by the Central planning agency. Consequently, economic policy has often conflicted with plan objectives. Thus, agricultural price policy has hampered the achievement of targets, agricultural programs and controls have often impeded the development of industry along lines laid down in development plans. Only within the last two years or so has the Government come to understand the integrality of planning for the public and private sectors with economic and financial policy. As a result, the Commission now participates in all important Government bodies dealing with economic matters. The Deputy Chairman of the Commission, besides being the Commission's operating head, also is in charge of the important Economic Affairs Division of the President's Secretariat. He attends Cabinet meetings and is a member of the National Economic Council and its Executive Committee. The Secretary of the Planning Division heads the Central Development Working Party, is a member of the Foreign Exchange Control Committee, and acts as Secretary (with the Planning Commission as Secretariat) of the National Economic Council. Through its participation on these bodies, the Commission now has a powerful voice at high levels of Government in the formation of economic policy, in the coordination of economic policy with planning objectives, and in the implementation of development plans.

The acceptance of planning and of the central planning agency in Pakistan has been the result of a gradual process characterized by ups and downs. The planners were not always without influence in the First Plan period, nor were they always on the ascendancy after the new Government took over in October 1958. Although progress was slow in the First Plan period, considerable advances were made

by the planners in introducing rational criteria in Government considerations involving the distribution of resources among alternative projects and sector programs, the size and composition of plans and capital budgets. In the preparation of the budget for 1957/58, before the change in Government, and on other occasions, the central planning agency was able to exercise considerable influence. Thereafter, in 1959, the influence of the Commission declined for a time because it was believed that the budget deficit was due to the high level of public investment which the Commission had advocated.¹¹⁷ Since then, the Government has come to a better understanding of the contribution which a group of disinterested technicians in the Planning Commission can make in improving the quality of public investment decisions.

The current preference of donor countries and international lending agencies for comprehensive development plans as a basis for their aid or lending operations to developing countries has also greatly helped strengthen the Planning Commission's position. The Government now looks to the Commission to prepare its presentations for foreign aid consortia and for other aid and loan negotiations. This has greatly enhanced the Commission's standing with central and provincial operating agencies which need foreign assistance for their projects and programs.

The Planning Commission is now an accepted part of Government. Its position is no longer questioned, but it still has serious organizational problems. Almost a decade after its creation, the central planning agency is still without an adequate staff. The Commission's increased powers and responsibilities have imposed a heavy, probably impossible, burden on a few of its key officials. Without additional qualified personnel, it is difficult to see how the Commission can effectively perform all the functions assigned to it. Pakistan's experience indicates that the creation of workable planning machinery is likely to take a long time. It also raises questions about the best use of foreign technical assistance in establishing such machinery.

¹¹⁷ The Commission contended that the deficit was the result, not of over-spending on development, but of bad harvests, high public expenditures on current account and delays in the transmission of U.S. P.L.480 aid.

Since 1954, Pakistan has received the continuous services of a group of advisers provided by Harvard University with the aid of a Ford Foundation grant. Few countries have received high caliber foreign planning assistance on as large a scale as Pakistan. By working closely with Pakistani counterparts, the advisers were frequently able to impart by precept, example and discussion, knowledge which often improved the competence of staff members in the Central planning body. But the advisers in Pakistan confronted a dilemma which arises in other countries as well. Faced with a choice between producing acceptable five-year and annual development plans in reasonably short periods and concentrating on training over a longer period a local staff which could eventually prepare its own plans, the foreign advisers found it impossible to resist Government pressure to produce plans and postpone training activities. As conscious as anyone of the desirability of in-service training, and even more concerned with the need for training the planning staff than the Government itself, the advisers were nonetheless unable to operate and conduct an in-service training program simultaneously.

Although the staff of the central planning agency has been strengthened recently, it has proved impossible in almost a decade to equip it with a qualified Pakistani staff. Although inadequate personnel policies are partly responsible, it is probable that the quality of the staff could have been improved if the advisers had from the start concentrated on training activities. It is likely, moreover, that in the case of Pakistan, with its two widely separated and distinctive Provinces, it would have been best to decentralize the planning function, as was eventually done in 1962, and station more foreign advisers in the Provinces. It is also clear that if a coordinated program of technical assistance had been provided to establish programming units in executing agencies and to improve budgetary procedures of the Ministry of Finance, even if this had involved some reduction in the refinements employed in the preparation of the First and Second Five Year Plans, the ultimate results would have been better. Finally, it can be said that the establishment of such a correlated program of technical assistance for implementing the Plan might have been easier to realize if the Planning

Office had from the beginning been given the function of coordinating all governmental foreign aid and technical assistance requirements.

Pakistan has inherited a strong tradition of political and economic centralization, which has been reinforced since independence by the channeling of domestic funds and large amounts of foreign aid and foreign exchange resources through the Central Government to East and West Pakistan. Central control over domestic and foreign funds, as well as financial policy, greatly limits the Provinces' freedom of action in development activities. The preparation and execution of the First Plan reflected the inherent centralism in Pakistan's administration. The Planning Commission's attempts to get Provincial planning agencies to contribute to the formulation of the Second Plan were only moderately successful and the Second Plan, like the First, was essentially a product of the Central Government.

The failure of the Provinces to make significant contributions to the country's planning activities was directly due to the inadequacies of the Provincial planning and programming agencies; but these inadequacies were in turn the result of the Provinces' failure to recognize the importance to them of effective planning and, in East Pakistan, the frustration induced by a belief that the Province was not getting its fair share of development resources. The Constitution of 1962 gave effect to the growing realization that in Pakistan, with its separated and diverse Provinces, decentralized planning was likely to produce better results than centralized planning. As a consequence of the devolution of developmental functions from the Central to Provincial Governments following adoption of the new Constitution, the importance of good planning is becoming more manifest to the Provinces. The staff and status of the provincial planning bodies have now reached levels which permit them to participate actively, if not always effectually, in both the formulation and execution of development plans and programs.

In the evolution of its planning machinery, both at the Center and in the Provinces, Pakistan has furnished many valuable lessons in addition to those already mentioned. Pakistan's experience points up the unsurmountable obstacles which face a temporary planning

agency, or one (in East Pakistan) established outside the governmental line of command. It reveals the deficiencies of a commission type planning agency with full-time political members when the members attempt to act independently, the undesirability of combining planning with expediting and operational functions, the necessity for combining progress reporting and evaluation of plan results with the planning function, and the tendency for implementation, because of administrative, organizational or personnel limitations, to lag seriously behind the plan targets.

A serious shortcoming of planning in Pakistan thus far has been the limited extent of public knowledge and support of development plans. Attempts are being made to break through administrative barriers to bring a general understanding of the Plan to the people and to encourage them to articulate their needs and aspirations through a hierarchial system of elected and appointed local and other councils constituting the institutions of Basic Democracies. The public works program initiated in East Pakistan in 1962 and in West Pakistan in 1963, was an important step toward making development meaningful to the people. If, so far, these attempts to "plan from below" have not yet borne great fruit, at least a start has been made toward drawing the mass of the people into the national effort for planned economic development.

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. Three distinct periods are discernible in that history: the period between independence in 1947 and 1955, when the Six Year Development Programme was terminated; the period of the First Five Year Plan, 1955/60; and the present period of the Second Five Year Plan beginning in 1960.

In the first stage, the re-establishment of government machinery, communications, trade and commerce and the resettlement of millions of refugees constituted urgent priorities for the new state. There was no attempt to plan on a broad scale and available resources were distributed among projects whose high priority appeared obvious to the new Government. Even the Six Year Development Programme of 1951, prepared for the purposes of the

Colombo Plan, as well as the Two Year Priority Programme which followed it, were little more than a package of uncoordinated public investment projects collected on an *ad hoc* basis without reference to available resources and the economy's requirements.

The First Five Year Plan was a much more sophisticated approach to planning. The Plan necessarily included many projects carried over from the previous period. The paucity of statistical and other data greatly limited the value of the calculations which were used to allocate resources. Nevertheless, in establishing an internally consistent theoretical framework on the basis of which an attempt was made whenever possible to allocate resources rationally, a great step forward was taken. The First Plan also brought into focus the problems which the country would have to resolve in order to develop. Although it was never adopted by the various Governments of the period and it failed to achieve its main objectives, the Plan became a guide for future action. Its greatest virtue was that it increased the country's awareness of the need for planning by giving form and direction to formerly inchoate and dispersed efforts to develop the country's resources.

The Second Five Year Plan lacks the pioneering character of the First. It merely extends the course of development along lines laid out in the First Plan. Like the First Plan, it includes many projects started in the preceding period and, technically, it suffers from the same lack of dependable data which made the First Plan defective. There is, however, a crucial difference between the First and Second Plan periods. The essential and novel fact which distinguishes the present stage from the previous one is the attitude of the Government toward economic development. During the period of the First Plan, no Government made the execution of the Plan a central objective of policy. In marked contrast, the present political leaders are firmly committed to the principle of economic development and to the Second Plan as the means for giving effect to that principle.

As a result, the outlook for fulfilling the Second Plan is brighter than it ever was for the First. The Central Development Working Party is proving an effective medium for improving the preparation and review of projects. Central and Provincial Government reforms are reducing administrative and organizational weaknesses. There

is evidence of a gradual transition from civil service attitudes formed in the imperial administration, with its heavy emphasis on the maintenance of law and order and the collection of taxes, to the more dynamic outlook required in an era when development is a paramount objective. The need for upgrading the status, pay and promotional opportunities of technicians in Government is gaining official acceptance and some improvements have already been made. Technical and administrative training is being accelerated and, meanwhile, many foreign engineers and other technicians are being engaged to prepare pre-investment surveys, projects and programs required to achieve Second Plan targets and lay a sound basis for the Third Five Year Plan. Although the existing official structure still gives preferred treatment to the generalist, there is wider recognition in Government that lower ranking of experienced technicians in relation to generalists seriously impairs efficiency and morale in development activities.

The Government's attitude toward private industry has been increasingly sympathetic. The removal of irritating controls which formerly inhibited business activity, as well as more vigorous use of incentives and aids to private enterprise, give promise of stimulating domestic and foreign investment. Apart from its beneficial effects on the private sector, the reduction of direct controls on the economy should also free many officials engaged in supervising controls for more productive work.

Achievements in the first two years of the Plan period have been encouraging. Despite lagging investment in some sectors, especially in agriculture, production targets are generally being fulfilled, and in some cases, exceeded. These results are to some extent due to measures taken in the period of the First Plan. The Second Plan period is undoubtedly benefiting from commitments for foreign aid, administrative reforms and important investments in social overhead facilities made before the start of the Second Plan. Skills acquired by the civil service, and managerial and entrepreneurial skills developed during the First Plan period are being put to work in the Second. Thus, many conditions which now favor development are attributable to actions taken during the First Plan period.

Nevertheless, it is the political leadership's strong support for

economic development which must be given the greatest credit for the improved outlook and for the results obtained in the last few years. During the First Plan period, gross national product increased annually by less than 3 percent and per capita output by about 0.5 percent; from 1959, gross national product has increased each year by 5 or 6 percent and per capita output by about 3 percent. In the absence of political support, it is doubtful if proper advantage could be taken of the possibilities which now present themselves. As a consequence of strong political leadership, there is a new alertness both among the civil service and private entrepreneurs to the need for breaking bottlenecks in the public and private sectors. Within the Government there is a realization of the need for better preparation and execution of projects and of the desirability of tying the Five Year Plan to the budget by means of the annual development program. Pakistan still has a way to go before it develops adequate programing and implementation machinery. However, no amount of improvement in these fields will yield significant results unless the planners can obtain governmental and private support for the innovations in development policy required to deal effectively with such problems as Pakistan's alarmingly accelerating population growth, stagnation, underemployment and low productivity in agriculture and the low level of domestic savings. But progress is being made and many problems which formerly appeared insoluble are being resolved. The achievement of developmental goals in Pakistan is far from certain, but the prospects for success are better than ever before.

Appendix

PAKISTAN'S CENTRAL PLANNING AGENCIES IN ORDER OF ESTABLISHMENT

	<i>No.</i>	<i>Period</i>	<i>Agency</i>	<i>Purpose</i>
<i>Early Planning Period</i>	1	1948-50	Development Board	The first planning body.
	2	1948-58	Ministry of Economic Affairs	Coordinated planning activities and acted as planning secretariat to various planning bodies.
	3	1948-50	Planning Advisory Board	Advisory and public relations body during Pakistan's early planning period.
	4	1951-57	Planning Commission	Reviewed projects before submission to higher authority.
	5	1951-56	Economic Council	An economic committee of the Cabinet responsible for implementing the Six Year Development Programme.
<i>First Plan Period</i>	6	1953-58	Planning Board	Established to prepare the First Five Year Plan.

<i>No.</i>	<i>Period</i>	<i>Agency</i>	<i>Purpose</i>	
7	1956-58	Economic Committee of the Cabinet	The name given to the Economic Council (No. 5) when the National Economic Council (No. 8) was established.	
8	1956-58	National Economic Council	Created after adoption of Constitution of 1956 as the highest economic body in Pakistan. Approved the First Plan.	
9	1957-	Development Working Party	The Central body which reviews projects and programs.	
10	1958-	Governors' Conference	Highest policy making body in the country.	
11	1958-59	National Planning Board	The name given to the Planning Board to distinguish it from the East Pakistan Planning Board established in 1957.	
<i>Second Plan Period</i>	12	1958-	Planning Commission	Replaced the National Planning Board (No. 11).
	13	1959-62	Economic Committee of the Cabinet	Successor to a development committee previously established by the Martial Law Government.
	14	1959-62	Economic Council	Established by the Martial Law Government as the country's supreme economic body.

APPENDIX

<i>No.</i>	<i>Period</i>	<i>Agency</i>	<i>Purpose</i>
15	1959-61	Projects Division	Progressing agency.
16	1961-	Planning Division	The alternate name for the Planning Commission (No. 12) after it was made a part of the President's Secretariat. "Commission" and "Division" are now used interchangeably.
17	1962	Economic Policy Coordination Committee	One of two Committees which succeeded the 1959-62 Economic Committee of the Cabinet (No. 13). Reviewed economic policies and oversaw their implementation. Abolished soon after it was created.
18	1962-	Executive Committee of the National Economic Council	The second of the two Committees which succeeded the 1959-62 Economic Committee of the Cabinet (No. 13). Approves projects.
19	1962-	National Economic Council	The successor of the 1959-62 Economic Council (No. 14).

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