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ADMINISTRATIVE ASPECTS OF ECONOMIC
PLANNING IN PAKISTAN

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PREFACE

Economic Planning is a subject which is widely discussed and strongly recommended as the answer to many of the problems of the lesser developed countries today. It is the intention of this writer to explore its meaning and significance in one such country, Pakistan.

As the thesis is in fulfillment of the requirements of the Master's Degree in Public Administration, what is of immediate concern is the administrative aspects of the subject. As such it is not the contention of the writer to make it a mere conglomeration of facts and statistics, though reference to some of them becomes imperative due to the nature of the subject. An attempt is made to combine historical development with an analytic and critical approach as far as feasible.

In a way, the origins of the present work began way back in 1962 when this writer presented a term paper on Economic Planning in Pakistan for one of the under-graduate courses in Developmental Administration being conducted by the then visiting Professor Hardy Wickwar. The latter suggested guide-lines for further elaboration of the paper and aroused my interest in Planning and Development.

However, the study has only been possible due to the help and guidance which Professor Elie Salem has rendered. I am indeed grateful to him for his unflinching support regarding all aspects of this work. His keen criticism and appreciative encouragement were an asset throughout the course of our meetings.

In fact, I am thankful to all the teachers of the PSPA Department who through their enlightened courses helped clarify many of the concepts. My special thanks are due to Professor Keith M. Henderson who was always willing to help me in all my academic problems, and from whom I profited intellectually through his suggestions and discussions.

I would like to take this opportunity to convey my gratitude to Mr.S.A.H. Ahsani, First Secretary, Embassy of Pakistan, Beirut for helping me procure many of the Government of Pakistan publications related to planning and affiliated fields. My thanks also, to other members of the Embassy for assistance in this respect.

Finally, I would also like to voice my appreciation for all those who directly or indirectly have been responsible for making possible this presentation.

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CHAPTER I

I N T R O D U C T I O N

Planning: A Question of Survival

"The typical situation in a backward country prior to the economic initiation of considerable industrialisation processes may be described as characterised by the tension between the actual state of economic activities in the country and the existing obstacles to industrial development, on the one hand and the great promise inherent in such a development on the other."¹

The economic history of the developed countries of Western Europe and North America illustrates the origin and general dimensions of the problem of developmental planning. This origin lies in the industrial revolution which began towards the end of the eighteenth century. Nations benefiting from this revolution acquired political and commercial supremacy over the countries still using primitive and outmoded techniques. The problem of underdeveloped countries today is one of achieving in a short space of time and in some appreciable measure the revolution which the developed countries have undergone during the last two centuries. However, the problem is more than this; the aim is to achieve these revolutionary changes without bearing the often high social costsexploitation, overcrowding, misery, slums etc.....which accompanied economic progress in the West.

These are no ordinary goals. In fact they look formidable when it is borne in mind that most of the developed countries were aided by favourable circumstances. In many cases these countries had large natural resources; frequently, the ratio of population to resources was low and in such circumstances the growth of

¹ Alexander Gerschenkron, "The Progress of Underdeveloped Areas," quoted by A.M. Huq, "Reflections on Economic Planning in Pakistan," Far Eastern Survey (Vol: 27, January 1958), p. 1

population was a source of economic strength enabling them to exploit their abundant physical resources.

The major advantage of the underdeveloped countries, or to use the more popular term developing countries, at present is that they can benefit from the vast accumulated experience in technology, planning and organisation.

Thus, the problem though staggering, is being successfully tackled by many countries -- Japan for instance. Turkey, India and Mexico are among the many countries which are exerting themselves to transform their economies so as to achieve high standards of living. The technique for tackling the problem in all cases is one of planning for orderly and sustained development. It is especially necessary that the development of a country's economy should be planned in order to set clear and practical targets in the framework provided by social and economic goals. The smaller the resources and the more formidable and complex the problems, the greater the need for planning in order to achieve maximum results in the shortest time.²

Today we see a rapidly transforming world in which ideas and concepts are changing. The rapid fire of nationalism has led to the liberation of one country after another. Consequently, there is a side-by-side existence of developed countries with those which are still struggling to achieve a reasonably moderate living standard. In most cases, these newly independent countries have clung on to economic and cultural ties with their former colonial masters. This has led to the belief that the poverty of the former can be cured by the rapid, systematic and large-scale transfer of the technology that has produced such great wealth for the latter. Development, however, is not a matter of technology alone. The underdeveloped world cannot in the words of an observer, "simply import the industrial revolution from abroad, uncrate it like a piece of machinery and set it in motion."³

² Planning Board, Government of Pakistan, The First Five Year Plan, 1955-60 (Draft), Volume I, pp: 59-63

³ See Edward S. Mason "The Planning of Development" in Scientific American, Volume 209, No. 3, September 1963, p. 235

The availability of modern industrial technology is of great importance in assuring that the developing countries need not necessarily experience the difficulties encountered by the Western countries in reaching a stage of self-sustaining growth. But putting this technology to use with effect requires much more than mere borrowing it.

Extensive reviews of the status and progress of many countries, like for example Nigeria or Brazil, have shown that the developing nations have entered on their present course from different historical backgrounds and a host of economic situations. They include some of the oldest nations in the world and some of the newest; some of the largest in size and population as well as the smallest. In general all of them have high rates of population growth, and the differences in the ratio of population to resources are great. One group has readily exploitable and exportable resources like oil or minerals; another has difficulty having even an agricultural surplus.

On the basis of these broad features it can be safely said "that the prospects for development among the underdeveloped countries are as disparate as the conditions from which they started."⁴

In general, these developing countries are predominantly free-enterprise economies; in all of them, without exception, governments are playing a role in the development process substantially larger and more varied than did the governments during the corresponding stages of development in Western countries.

However, "economic development requires a set of institutions, habits incentives and motivations such that the inputs necessary to a continuous increase in output are self-generating. The essential inputs are capital, trained manpower and technology, and they are likely to be self-generating only in an environment in which the population seeks to improve its physical well-being and in which the rewards of effort are at least roughly propor-

⁴ Ibid

tional to the productivity of effort."⁵

Along with the growing developmental needs, individual functions and relationships are becoming more complex, and as needs and aspirations are expanding, the functions, powers and spheres of activity of the state are becoming widespread. No discussion on the role of big government will fail to emphasize the development aspects in the less advanced countries of the world. This treatise is no exception: it seeks to discuss and evaluate the process of planned development in Pakistan in the light of the administrative implications. Economic planning today has gained an importance it never had before and it is now resorted to by a growing number of countries. It is hard to visualize any economy today which is not subject to the planning process. These economic activities call for co-ordination and administration by an organisation, in most cases the state or a commission or board created by it. Thus the administrative aspects of planning at once come to the forefront, and this is the field we are primarily and mostly concerned with as we approach the planning process -- its nature, objectives, trends, perspectives and problems -- as it pertains to the economy of Pakistan.

This is not to say that the other aspects of planning are to be ignored for to understand administration reference to the environment in which it functions becomes imperative. Also to be considered for our purpose are some of the important statistics and a few aspects of the economic theory of planning. As each country necessarily plans in the light of its environments the political, cultural and sociological influences usually have a bearing on the administration of its plans. Thus, while we look at the administration of economic planning in Pakistan we have to necessarily combine it with these other aspects.

These factors also are at the root of another feature discernible in all governmental activities, namely, that of value considerations. For, as there is no profit motive involved and the plan is adopted after due consideration to the competing

⁵ Ibid

demands of the environment, the choice made essentially is not the one most efficient and effective. Facts are to a great extent shaped by values.

Since the complex problems of national planning call for growing and continuous state participation, thereby, the role of big government at once becomes striking. Over the ages the activities of state have been widening and few now challenge or criticize the highly central and key role it has to play in advancing development in contemporary world. The effort of the developing countries for a better tomorrow is intensive. Economic planning is believed to be the answer to many socio-economic evils.

Expanded Role of the State: An Analysis with
Review of Some Literature on the Subject

"Man is a political animal; he who does not live in society is either a god and above it or a beast and below it." -- Aristotle.

Originally the state concerned itself primarily with peace, order and justice. This negative role of the state was aimed at giving 'police' powers the priority ultimately hoping that positive results would be attained. However, as force of circumstance and emergence of complexities led to the channelling of state activities in many fields, this role became more and more extensive. The state which in its primary stage concerned itself mostly with restraint and punishment gradually emerged as the major instrument of social welfare and economic betterment.

The expanded role of the state was not viewed favourably by "laissez-faire" theorists, who held that the best government is one which governs least. The Social Darwinists on the other hand maintained that there should be free competition among individuals so that only the fittest may survive.

There are some who favour maximum government and hold that the state should play the maximum role in the economic development of a country. They are ready to entrust all economic activities to the state. Capitalism on the other hand views the role of the state in economic development from an entirely different point of view -- all economic organisation and operation should rest in the hands of private individuals. Without going into this controversy it can be safely said that neither complete state control nor total individual monopoly seems to be the answer to the many aspects of development and growth. Bernard Shaw carried his criticism of capitalism to extremes when he wrote

"But if you own an English or Scottish country you may drive the inhabitants off into the sea if they have nowhere else to go. You may drag a sick woman out of her house and dump her in the snow for no better reasons than that you can make more money out of sheep and deer than out of man." ⁶

⁶ Bernard Shaw, The Intelligent Woman's Guide to Socialism and Capitalism, (London, Constable and Company Ltd., 1928), p. 102.

Amidst these conflicting theories about the role of the state, planned economy came to be expected as a natural consequence of the many responsibilities governments have to undertake, and found a number of exponents like Lange, Lorwin, Pigou, Schumpeter, Wootton followed by Marshall, Wright, Lerner, Dickinson, Taylor and Robbins.

Barbara Wootton's "Plan or No Plan" (Victor Gollancz Ltd., London, 1934) was one of the earliest works in the field and underlined certain pre-requisites to successful planning. Before everything else, she wrote, good planning is dependent on knowledge and the ability to use that knowledge -- implying surveys in all the fields concerned to know about the overall economic conditions. Wootton is particular in stressing the organisational aspects of planning (Chapter VI).

"Economic Planning and International Order" by Professor Lionel Robbins (Macmillan and Co. Ltd., London, 1937) sets out by calling planning "the great panacea of our age." The theme of the book in general is for planning -- and the choice is not between a plan and no plan, rather between two different kinds of plans. In Robbins, planning found a whole-hearted supporter who even talked of international planning aspects in later sections of his book.

By the early forties the growth of government had given rise to a great controversy among the students of Public Administration. Among the ardent supporters stood out Paul Appleby and Herman Finer. The former in his two famous books "Big Democracy" and "Policy and Administration" strongly defends big government arguing that it is indispensable for the state to step into the socio-economic activities in the emergent pattern of society. Appleby was himself working in the U.S. Department of Agriculture and had a chance to cite practical instances to support his stand. "To sum up," he wrote, "it seems plain that both within government and outside government, and probably for the same reason the trend is toward bigness. Responsible citizens, including those who like bigness least, have, therefore, the duty of helping to give it form and content. It is not sufficient even for those who hate bigness to resist and cry out against

it."⁷ Similarly Finer remarked -- "There are great economic works still, which can be undertaken only by the state, whose parliamentarians and officers are so selected, educated and motivated and have such aptitudes that they may add to the whole community by their progressive ideas and enterprise."⁸

Frederik Hayek, Ludwig Von Mises and James M. Beck stand out as the bitter critics of Appleby's point of view and regarded planning as a dangerous phenomenon. Hayek's "Road to Serfdom" (London: Routledge and Sons, 1944) shows alarm and concern as the German and Italian planned economies seemed to suggest to the writer. To Hayek planning and freedom are incompatible and there is no stopping short of a completely regimented society. John Millet later in "Government Planning" (New York, 1947) accounts for this attitude because of the ignorance of the basic difference between policy formulation and operational plan. This view was also shared by Carl Landauer in his work, "Theory of National Economic Planning" (Berkeley: University of California Press, 1947).

Wootton's later book which came in 1946 entitled "Freedom Under Planning" (Allen and Unwin Ltd., London) further propounded the belief that individual freedom and planned economy could go together.

Morstein Marx views planning as a natural corollary to the expanded size of society as is evidenced by his concept of the "Administrative State" (Chicago: The University of Chicago Press, 1954).

At the end of World War II economists turned their attention to lesser developed countries. The application of general ideas on planning to backward countries is in part discussed by Arthur Lewis in "The Principles of Economic Planning" (London: Allen and Unwin, 1949) where he declares that planning though more needed and necessary in these countries is difficult to execute because of different environments than what the Western countries had. Professor E.S. Mason opines likewise in

⁷ Paul Appleby, Big Democracy, (New York: Alfred A Knopf, 1945), p. 27

⁸ Herman Finer, Road to Reaction, (Boston: Little Brown and Company, 1946), p. 222

his "Economic Planning in Underdeveloped Areas" (New York: Fordham University Press, 1958) and does not believe that nineteenth-century experience with development in the West is relevant to development of contemporary society areas. According to him there is a difference from the Western pattern of planning, especially in South Asia and South-East Asia (where he places Pakistan), between planning as advice and planning as action i.e., the word versus the deed; how good is the advice and then examine how effectively the advice has been applied. For planning in the main remains an advisory function in underdeveloped countries. Professor Mason seems to have made a very realistic appraisal of the condition and reference to his works will be made at other places in this survey.

Albert Hirschman in "The Strategy of Economic Development" (New York: Yale University Press, 1959) has very forcefully declared that the problem in underdeveloped areas really is one of the shortages of administrative abilities rather than of resources.

The importance of economic development has been brought to the forefront by L.W. Shannon in "Underdeveloped Areas" (New York: Harper and Brothers, 1957). Rostow in "The Stages of Economic Growth" (Cambridge: Cambridge University Press, 1960) has shown the trend economic development usually takes and the stages it passes through. For him it is possible to identify all societies in their economic dimensions, as lying within one of the five categories -- the traditional society, the preconditions for take off, the take off, the drive to maturity, and the age of high mass consumption.

Planning is of recent origin in the economic life of Pakistan and consequently the literature on the subject is limited. There seem to be no written works on the subject and no standard reference. Most foreign observers have concentrated on Pakistan's big neighbour -- India. Though planning principles are not divergent in the two countries there appear some basic differences. As such resort to the material on Indian planning is of help only in tracing the origins of the concept of planned development as the two countries were ruled formerly by Britain.

The two Five-Year Plans and other documents are available. The paucity of books on the subject has been counter-balanced to some extent by the availability of few articles published in periodical literature. This is not an apology but a reminder of the limitations of a study like this.

The approach is historical. The subject is first introduced and the problems stated, Next, the past efforts are discussed as background for understanding the present and perceiving trends for the future. Finally, the last part is a critical evaluation and suggests some possible solutions; besides, general principles which could be adopted to suit the conditions as they exist in a country like Pakistan are also explored.

To some, this approach sounds stale but it has the advantage of allowing a systematic and harmonious viewing of the problems, and a look at the past is surely needed to understand the present. Moreover, Pakistan is one country where the past so often explains some current trends which are often bewildering to foreign observers and sometimes to the Pakistanis themselves. And in administrative practices at least, the shadow of Whitehall still looms ominously.

Planned Development in Countries
Like Pakistan

"From our own experience and from that of others, we have learnt that the task of developing a backward country is no easy one. It calls for scientific planning, based on a sound assessment of national requirements and the available resources, with the necessary flexibility to allow of subsequent adjustments necessitated by changing needs; an effective utilization of these resources for developmental purposes and the implementation of projects at the desired pace and within the estimated outlay while, at the same time, combating inflationary trends which developmental programmes inevitably give rise to."⁹

Thus begins a famous Pakistani economist while commenting on the nature of his country's economy. This is the nature of the problem in all the lesser developed nations of the world -- particularly the Asian ones.

Fortunately these countries have realized that a balanced economic growth can only be ensured through an expert knowledge of the problems and the application of this knowledge to developmental tasks in a judicious and effective manner. This means viewing things realistically and not through the prism of preconceived notions and borrowed ideas -- for what may be true or may have been true in the case of one country may not be true in the case of the other. Every country has to plan in the light of its own economic realities -- but plan it must to survive and progress.

The word planning is used often in everyday terminology: the student plans his day, the housewife her work and expenses, the teacher his lecture. Everyone plans, that is, lays down a certain course of action. Though used often, planning in certain quarters is a negative word, and whether negative or not it is an ambiguous one. The one big difference between everyday planning and economic planning is in size, the other in the nature of the problem. Small-scale planning if improperly judged and arrived at

⁹ Dr. A. Waheed, "Planning for Prosperity," The Pakistan Review, October 1959, p.21

does not have the serious implications which faulty large-scale planning has. It can either wreck or fortify an economy and that is why it has to be so carefully handled and administered.

"Planning has no place, it is said, under pure capitalism for it does not allow much room for the capitalist trinity- sovereignty of the consumer, the tyranny of the price system and the quest for profits."¹⁰ In a planned economy, the economic architects generally determine what use is to be made of limited resources, and, therefore, to some extent impair the sovereignty of the consumers -- the targets are determined according to an objective determined by the state. For a long time government planning was taboo in capitalist economies as it was in direct contrast to individual freedom and curtailed liberty. Till 1913, the planned economy existed only in the writings of leftist theorists, and as late as 1930, the average economist violently doubted the logic that may be embodied in a planned economy.

The Soviet plans, however, effected an unparalleled expansion and industrialisation as well as strengthening of the military machine. Meanwhile, capitalist countries were undergoing a paralysis in the form of falling prices, adverse trade and unemployment. Then, all economics -- planned or unplanned -- experienced war, with its insatiable demand for materials and men, and the consequent pressure to conserve and plan. Thus few countries could do without some sort of planning but most of their plans were, indeed, as one observer has put it of a "shotgun variety."¹¹ Planning on the Russian model came to the front after the war.

What then is planning? According to some "behaviour governed by conscious expectations" is the key notion, and any deliberate act or choice involves planning. If we follow this line of thought, every government plans -- insofar as its actions are deliberate -- and every economy becomes, thereby, a planned economy. But others would have it that planned economy is one in which all activities are subject to central control. Centralised versus

¹⁰ Seymour E. Harris, Economic Planning (New York: Alfred A. Knopf, 1949), p. 4.

¹¹ Ibid

decentralised decision-making is the essence. Common sense seems to demand that both ideas be embodied in the notion of planning; some assessment of future expectation is required, and some degree of centralisation in the process of economic decision-making.

Economic planning then becomes a matter of degree and certain economies are more planned than others. In this sense it is clear that Western economies including the United States, are now subject to a greater degree of planning than was customary in the nineteenth century. "Governments now conceive their function something more than establishing the rules of the game to be observed by private enterprise. They recognise a responsibility for assuring as best as they can, the general health of the economy by deliberately influencing the behaviour of key magnitudes such as employment, the price level and the balance of payments. They also take deliberate steps to safeguard the welfare of under-privileged groups in the community. All this involves some centralisation in the process of decision-making, but of course, it falls short of what is attempted in the Soviet Union."¹²

Planning in Southern Asia including Pakistan, falls somewhere in between the patterns common in Western countries and those in the Communist orbit. The five, or six, or seven-year plans that proliferate in this area lay down a coordinated public investment programme comparable to what is called public-works planning in the West, and propose a set of policies for the private sector. But public investment in Pakistan and in other Southern Asian countries accounts for a much larger part of capital formation than is usually the case in the West. And economic policy relating to the private sector depends more extensively on direct controls rather than the indirect influence of monetary and fiscal measures.

Some of the reasons for this greater emphasis on centralised decision-making are related to real differences in the economic problems confronted by Asian countries in contrast to those in the West. All these countries are on the road to development which task can only be undertaken by the state. Conditions are not ripe

¹² E.S. Mason: "Economic Planning in Pakistan" in Pakistan Anthology, (Karachi, June 1961), pp. 72-73

to attract foreign capital in private investment, loans and grants can often be procured by the state alone. Also, business and administrative "principles" are not very developed.

Other reasons for greater reliance on the centre arise from differences in the objectives and ideology peculiar to Pakistan. These of course will be referred to later on. However, whatever tests of public versus private or of planning versus non-planning are applied, Pakistan is overwhelmingly a private enterprise economy. Three-quarters of the labour force are employed in agriculture, and sixty percent of the national income is generated in that sector. All trade and commerce, of course, is in private hands, and a large part of industrial output is accounted for by the so called cottage industry.

But, these traditional economic activities are, as one would expect, tradition-bound. Large increases in national output and great improvements in living standards are not to be anticipated from a continuation of accepted practices, however blessed by centuries of use. New activities have to be started and old ones improved. A rapidly emerging business class is taking care of part of Pakistan's development; a large burden, though, inevitably falls on government.

CHAPTER II

THE PLANNING PROCESS

Elaboration of the concept of Planning

"To say that 'planning' is a controversial word is as obvious as it is trite. For twenty-five years it has been the object of bitter denunciation and enthusiastic endorsement. Like all words which come to epitomise conflicting social concepts, planning has different meanings and different uses. Even among those who find no terror in the idea, there is little agreement about the meaning of planning."¹

Ever since planned economy came to be expected as a normal phenomenon, economists have greatly elaborated the ideas and issues involved in planning. But as no two writers seem to agree completely on a definition it becomes our task here to elucidate the concept in order to arrive at a definition acceptable for our purpose. In this endeavour we have to be very cautious, for even a writer of the calibre of Barbara Wootton remarked, "where all the terms are so highly charged with political bias it is needed to be unusually careful about definitions."²

Economic activity is concerned with the provision of goods needed to satisfy human wants, individual and collective. Hence economic growth of a firm, an industry, a nation, or a region means a sustained increase in the output of such goods. Modern economic growth of nations, however, has two distinctive features: in all cases it involves a sustained and substantial rise in product per capita, and in almost all cases it involves

¹ John D. Millett, The Process and Organisation of Government Planning (New York: Columbia University Press, 1947), p.1

² Barbara Wootton, Freedom under Planning (London: Allen and Unwin Limited, 1946), p.12

a sustained and substantial rise in population. Industrialisation and rationalised agriculture are the main fields of application for the scientific techniques which have become instrumental for achieving higher standards of living.

At present the world is composed of wealthy countries with a highly developed technological culture, and of vast underdeveloped regions where the population is badly in need of food, housing and other basic necessities. A gulf exists between these have-nots and those with developed economies. The experience since the industrial revolution tends to show that the path of material civilisation is a striding away from poor conditions of life, towards more advanced stages of well-being and plenty. The countries of Western Europe, and the United States itself, are an evidence. Not only that, there is a distinct improvement in former levels of living observable in underdeveloped countries themselves.

Now this economic advance can be left to itself, to follow the way it takes; a self-propelled process and continuation of economic advance spreading from one area to the other. Those who share this belief, conceive of economic progress as the spread of forms and rates of growth to all those places where no artificial obstacles arrest their advance.

If, however, we accept economic progress as an urgent necessity, then such progress depends on a well-conceived and co-ordinated set of activities from within and without, which do not necessarily imply violent changes. If the desirability of economic progress has been fully accepted for Western countries, then it becomes a dictum of political expediency for regions lagging so far behind in economic and social levels as most Oriental countries like Pakistan. The contrast between the incessant improvement of living conditions in advanced economies, and the simultaneous continuation of appalling conditions over wide underdeveloped areas of the world is one of the central factors responsible for the growing momentum of policies towards economic and social development of backward areas.³

³ Alfred Bonne, Studies in Economic Development (London: Routledge and Paul, 1957), pp.1-7

And now we come to an important distinction which immediately brings the role of planning to the fore. Whereas economic growth comprises each kind of economic expansion (including a self-induced process) the term economic development is used to denote that kind of growth which needs to be consciously and actively promoted; which needs a measure of planning and control of the various activities envisaged in the phases of development. In fact, it is the absence of economic growth for a prolonged period which has led to the emergence of modern policies of economic development.⁴

The volume of recent literature which deals with the aims and objectives of planning for economic development is impressive, but all too often no particular attention was paid to the peculiarities of social, national and geographical entities which make up for the bulk of the underdeveloped populations. The development specialist should not lose sight of the fact that these societies present a multitude of concrete social systems, each with its own conditions, tradition and structure. There are many factors that make up for the differentiation of economic societies and consequently call for a different approach to their respective problems of development. The planner, whether economist or social scientist must consider all these points carefully.

In the definition of underdeveloped countries, the common point of departure is frequently seen in the fact that income and consumption levels are very low. In the report, "Measures for the Economic Development of Underdeveloped Countries", prepared by a group of experts for the United Nations, The term 'underdeveloped area' is applied to countries in which per capita income is low when compared with the per capita real incomes of the United States, Canada, Australia, and Western Europe. Thus, Meier and Baldwin also comment that " Economic Development is a process whereby a country's real national income increases over a long period of time....real national income

⁴ Ibid.

referring to the country's total output of final goods and services, expressed not in money terms but in real terms".⁵ Another writer remarks: " By development we understand only such changes in economic life as are not forced upon it from without but arise by its own initiative."⁶ As such though economic development is associated with an increase in per capita income, it is also associated with institutions which give incentive to effort, with attitudes which value economic efficiency, and with growing technical knowledge. Capital is not the only requirement for growth, and if capital is made available without at the same time providing for a fruitful framework for its use then it will go to waste. Thus both financial and human elements are involved in development. Growth depends as much upon such matters as learning how to administer large scale organisation or creating institutions which favour economising effort, as it does upon breeding new seeds and learning how to build better homes.⁷ It is hard to see how this complicated and stupendous task could be performed without conscious and planned effort.

In the sense relevant here, "Planning may be defined as the conscious and deliberate choice of economic priorities by some public authority. Economic activity consists essentially of choice...there are priorities of consumption and priorities of production... There must be some connection between the kinds of choice, since it is not possible to consume that which is not produced.... It is the planning of production that is at the heart of the matter."⁸

Priorities can be determined in two ways - consciously and deliberately as part of a plan, or they can be left to themselves where the final picture emerges as the unpremeditated result of the decisions of many, each concerned with his own

⁵ Gerald Meier and Robert Baldwin, Economic Development (New York: John Wiley and Sons Inc., 1959), pp.2-3

⁶ Joseph Schumpeter, The Theory of Economic Development, (Cambridge, Mass: Howard University Press, 1955), p.62

⁷ See Arthur Lewis, The Theory of Economic Growth (London: Allen and Unwin Limited, 1955), esp. chapters I and V

⁸ Barbara Wootton, op.cit. p.12

particular part of the whole. Planning, on the other hand, implies that there is a known target, and priorities are determined by a public authority - public authority meaning a government (with power to give effect to its decisions); or some other body which the state has created. However the great importance of and resort to planning does not imply that the world is divided into planned and unplanned economies. "Planning is a matter of degree; nowhere is it completely absent nor does it cover anywhere one hundred per cent of the economic activity."⁹

Various definitions of planning reveal two distinct meanings. To illustrate a definition of each could be cited :-

"Planning is an organised effort to utilise social intelligence in the determination of national policies. It is based upon fundamental facts regarding resources, carefully assembled and thoroughly analysed; upon a look at various factors which must be brought together in order to avoid clashing of policies or lack of unity in general direction; upon a look forward and a look backward. Considering resources and trends as carefully as possible, and considering the emerging problems, planners look forward to the determination of longtime policies."¹⁰

"Planning is one of the most simple and natural of mental processes by which thinking men set and achieve their objectives... In administration, planning and management are one and the same.... Plans must be put into effect or they remain in the realm of intention, not action.... To summarise, Planning is necessary in setting broad national goals; it is equally necessary to reach these goals."¹¹

The first of these definitions stresses the need for action after careful appraisal of the conditions. It is in the main a collection of 'shoulds', and does not talk of the practicalities. The latter lays down not only the objectives but how they are to be attained. It is essential that we remember that it is the latter definition which we are to accept and

⁹ Barbara Wootton, op.cit. p.12

¹⁰ Charles E. Merriam as quoted in John D. Millett, op.cit. p.3

¹¹ Harold D. Smith, "The Management of Your Government" as quoted in John D. Millett, op.cit. p. 3

consider for purposes of this treatise. To be more precise we ought to understand the basic difference between policy formulation and dynamic developmental planning. It was this identification of planning with basic national policy that led Hayek and others to condemn planned efforts at economic growth and development.

There is a vital difference between policies and plans. This difference has been recognised clearly both by Landauer¹² and more specifically by Millett¹³. Policy formulation is probably the more important, for basic policy decisions under most circumstances must precede the preparation of the plans. Once policy decisions have been made, they should be translated into administrative action. Its purpose is to produce a fairly detailed and specific programme designed to achieve stated objectives. In other words it contemplates action - it gives meaning and purpose to administrative activity. The very act of operating any large government effort entails the obligation to plan ahead, to set objectives, to devise a specific course of action. This becomes all the more imperative when it involves such important a task as economic development, where planning guides economic activities through a scheme which describes in quantitative as well as qualitative terms, the productive processes that ought to be undertaken during a designated period.¹⁴ The interest in planning in the West sprang mainly from the desire to avoid depressions. In underdeveloped countries like Pakistan it has become the key to economic survival and progress.

To conclude this section we could mention the requirements of an acceptable plan for a country like Pakistan. These are taken from the Draft of the First Five-Year Plan of Pakistan:-¹⁵

- a) That it should conform to the prescribed economic and

¹² Carl Landauer, Theory of National Economic Planning (Berkeley: University of California Press, 1947), chapter I

¹³ Op.cit. pp. 11-31

¹⁴ Landauer, op.cit. p. 13

¹⁵ Planning Board, Government of Pakistan: Draft of the First Five-Year Plan, 1955-60, Volume I, p. 74

social objectives;

b) that it should be as large as the community with maximum effort can undertake;

c) that it should be internally consistent in the sense that the claims on foreign exchange are no larger or smaller than the prospective supply of foreign exchange, the claims on skilled labour are no larger than the supplies, and in general, resources and claims are in balance;

d) that the use of resources proposed is efficient with respect to the ends in view, and

e) that the plan is administratively feasible.

Even before these requirements there are certain pre-requisites to good and successful planning. To cite them here would help us later in analysing the planning process in Pakistan. Successful planning is dependent, before everything, upon knowledge and the ability to use that knowledge. This implies proper surveys in all the fields concerned to know about the over-all economic conditions. This in turn connotes good statistical coverage and the know-how to utilise the data so gathered. Next, an authority must be constituted which has the power both to draw up plans, and to supervise their execution; also having nation-wide authority and enjoying the support of local organs in every area and in every industrial unit. A planning authority not having the disposal of the instruments of production and of the products of industry will have to confine itself to planning of a negative type.¹⁶ These in turn raise questions regarding the administrative set-up likely to achieve the expected changes. The problems of coordination and management arise for the planning authority is composed of elements from many fields and different organisations used to different administrative principles. Economic planning in Pakistan has to answer all these questions to prove worthy of its existence, and demonstrate proof of its capability.

¹⁶ Barbara Wootton, Plan or no Plan (London: Victor Gollancz Limited, 1934), chapter VI

What is meant by the Planning Process?

"No development has been more unplanned than the gradual emergence and increasing importance of planning in all the Western countries. Ideas and ideologies, theories and propaganda, political programmes and political action directed consciously towards promoting planning, have played an altogether insignificant role."¹⁷

The development towards economic planning in all the Western countries, has followed the course of attempts to bring more order and rationality to those measures of state intervention which grew up in particular fields. For a long time, attempts at coordination were often limited in scope. In situations where the withdrawal of the acts of intervention was out of action for practical and political reasons, the politician and public servant with serious liberal inclinations, seeking to keep down state intervention to the minimum, often found himself the proponent of central state planning in one field or the other and in one field after another.¹⁸ Planning was the alternative to the veritable chaos created by uncoordinated and disorganised state intervention. Over the course of years planning policies came to be coordinated more rationally in order to reach more fully and rapidly the desired ends for further development.

Though planning has grown in this manner it does not mean that it just bursts forth like a mushroom and does not follow any direction. A precise process of planning has come to be recognised both in the West and the underdeveloped countries.

To some extent, the idea of economic planning which is now spreading in the lesser developed countries is in the nature of a rational inference from their urge for development and from their knowledge of the adverse circumstances in which they find themselves. The Western countries have travelled across the path towards economic planning over a period of hundred years or more. In contrast, the underdeveloped countries are bent, as the Western ones were not, upon applying planning in the initial stages of under-

¹⁷ Gunnar Myrdal, Beyond the Welfare State (London: Duckworth, 1960), p. 12

¹⁸ Ibid, pp. 14-15

development, in the lines of Soviet planning. By the very logic of the situation of the underdeveloped countries, planning becomes programmatic in its approach. It does not as in the Western countries force itself upon a national community through a gradual process which finally results in a *fait accompli*. In the underdeveloped countries, the idea precedes its realisation. As economic development cannot be expected to come by itself, planning becomes a precondition for development, and these countries are compelled to undertake what in the light of the history of the Western world would appear as a short-cut. Thus their programmatic planning should be comprehensive and complete, not pragmatic and piece-meal. Planning anticipates public policies; it does not grow out of the necessity to coordinate such policies as have already been initiated. There is as yet very little planning in underdeveloped areas; none of them is approaching the level of planning and economic state control common to the advanced countries. But the idea is spreading, and though differing from the ideologies and facts of planning in the West, implies a programmatic and comprehensive state direction of the economic development.¹⁹

The extent to which programming techniques could in practice be applied in individual countries depends on several factors. These include the stage of planning that has already been reached, the availability of the requisite data, the quality and size of agencies responsible, and the techniques themselves. Many of these techniques are relatively simple and can be mastered by most planning agencies in a short time. Useful results can be obtained even with reasonable approximations. At times even data derived from the experience of other countries can be used, though it is through actual attempts to use existing data that stimulus is provided. Programming should be carried out in a systematic way, and inconsistencies be avoided.

¹⁹ Ibid, pp. 88-90

A situation common to most countries in the initial stages of planning is one in which a series of development projects is being formulated and implemented by various government agencies. The extent of coordination or planning in respect to these projects is usually limited by annual budgets. Therefore, the early work of practical planning has often centered around these departmental programmes and projects, and their fusion into a single whole. Though primarily partial in scope in the sense that the activities of the private sector are usually not covered, they help focus public attention on planning and development beside providing a useful framework of priorities for financial policy and budgeting. However, as these plans are partial in scope they may not reflect the real development needs of the economy. As such, planning agencies should proceed beyond the initial stages as early as possible. It is useful to formulate, at an early stage, the broad strategy of development appropriate to the country concerned; to clarify and set out the patterns and directions of future development. For example, where industrialisation is the most important of the new fields of expansion, it will be important to consider the type of industrial structure appropriate to the country in question.²⁰

Generally speaking there are "three broad categories"²¹ in terms of duration, into which plans can be classified. These are first, perspective plans covering a span of two or three decades depicting the general course to be taken by the national economy. The second category covers medium-term plans extending over four, five or six years. The precise period is often determined by administrative and political requirements, but usually allows for maturing of important projects. Finally, there are short-term plans of one-year as reflected in government budgets. Two to three year plans of an operational nature

²⁰United Nations Economic Commission for Asia and the Far East, Programming techniques for Economic Development, pp. 1-4

²¹Ibid., p. 5

are also possible.

"The preparation of plans for administrative activity in all cases involves at least three phases: the determination of objectives, the measurement of an existing situation, and the design of a programme for positive action. Planning as the means for giving direction to administrative operations is not complete until all three phases have been completed."²² It is the third especially which is of primary importance to us for "as far as administration is concerned there is no plan until there is a proposed course of action".²³ This, in a broad sense is a description of the planning process.

The process begins with a sense of the need - "a survey to find out what resources are available and what are the potentialities of development."²⁴ Here the work to be done may be sub-divided into technical surveys. Most underdeveloped countries have few technical surveys of their resources, and as a consequence do not really know what their development possibilities are, and are not really in a position to begin development planning. In consequence, one of the bottle-necks now holding up economic development is simply the fact that governments do not know what is possible in their territories.

Economic surveys are of two kinds. One is a survey of economic institutions which is very important if we remember that planning is more than mere statement of figures and cost involved. The other kind of survey is that which takes stock of the current use of the community's resources like the numbers and occupations of the people. These are again of prime importance. The job of planning reduced to its most elementary aspect is the constant task of refining and sharpening the objectives to be accomplished through administrative action.

²²John Millett, op.cit. p. 36

²³Ibid.

²⁴United Nations Department of Economic Affairs, Measures for the Economic Development of Underdeveloped Countries, p. 61

It is in the stage of fixing the objectives for administrative action that policy formulation and operational planning are inextricably joined. These policy formulations reflect value judgments about the desirable, or the needed. When the economic planner talks about full utilisation of productive resources or higher standards of living he is first of all expressing the belief that these are desirable social ends. Most administrative analysts realise that the more unified and concrete the objective, the more efficient the planning and administration of any enterprise.

Objectives are statements of need or purpose. Since in many ways the determination of objectives is the most important single phase of the planning process, it deserves to receive first emphasis. Yet *in chronology*, the fixing of objectives may come only after a great deal of planning effort. Once accomplished, it is the guide for all subsequent planning activity.

Fixing objectives is but one phase of planning. Another phase is a clear comprehension of the existing situation. For only by measuring the gap between what we now have and what we want, can we fix the true magnitude of the job to be done through administrative action.

It is also important to know whether the various plans being made are consistent with each other and with the total resources available. A manpower budget for example, will show the manpower available, and also how much manpower each sector of the economy will require if it is to produce what is asked of it.

Thus, knowledge of the existing situation is an essential part of planning. The job ahead is measured in terms of the difference between what we have and what we want. As a matter of fact, the work to be done may be nothing more spectacular than a maintenance of the existing situation or condition. But this too needs to be known in quantitative terms. Planning almost never begins with nothing; it starts with something and must

expect to build upon that toward the ultimate objective. The planner must know what is as a part of projecting what should be.

When objectives have been set in terms of desirable goals and in terms of the gap to be filled, the planner then faces his real challenge - to devise a programme of action to produce his goals. It may be possible to frame a course of action in terms of alternatives. He may work out any or all possible programmes in considerable detail, with as careful an estimate of probable consequences under each alternative as he can forecast. Merely to announce goals is not planning if measures are not put into operation which will move resources in the required directions. The government has to decide how much it should do itself, and how much it ought to leave to private enterprise; the question is how to ensure that private enterprise moves in the desirable directions.²⁵

Even the wisest planning board cannot be expected to draw up a faultless plan. Developments beyond its control may occur during the planning period. The means that are applied to carry out the plan are not likely to be equally effective at all times and places. Developments must be subjected to careful current observation. The execution of the plan must be continually checked and the progress of expansion projects be periodically surveyed.

The planning process is an everlasting phase in the course of development. The objectives of economic policy may be achieved through several instruments. It is desirable to distinguish between them and the particular objective which each is best suited to serve. A wise selection of these instruments will go a long way to put the country on the road to economic stability.

²⁵ Discussion mainly based on John Millett, op.cit. pp. 32-48 and Measures for the Economic Development of Underdeveloped Countries, pp. 64-67.

²⁶ Carl Landauer, op.cit. p. 76

Need for Sound Principles of Organisation in Planning

"This is an age of administration. In business corporations, labour unions, trade associations, benevolent organisations, and government the talent of men is laid to the task of organising means for achieving objectives, of harnessing things and directing men, of programming operations and systematising procedures. In the vast spread of social organisations, administrative organisation and process have become central features of man's effort to be master of his future."²⁷

Expanding government control over economic activity has characterised life in the twentieth century. The influence of government is felt everywhere and everytime. It circumscribes, channels, directs, and controls economic actions of every description. At another level are problems of coordinating various public economic policies.²⁸ The multiplication of agencies needed to administer government's economic controls has led to a vast amount of writing on the legal, administrative, and economic aspects of their work. Yet there is no comprehensive discussion of the administrative system which has been developed for control of economic activities and of the problem of an administrative nature which arise in such control. It is very important that sound principles should develop in administering so stupendous and important a task as economic planning.

One pervasive and dominant purpose stands out behind the work of the organisation; to go forward with assigned tasks. In function it includes a diversity of activities and flexibility in their combination. The institutional fabric shows the characteristics of specialisation, hierarchy and lateral cooperation. These organisational features point toward the essence of the administrative process. Allocation of duties necessitates combination of specialised activities; the process becomes one in which decision is the direct result of many contributions.

²⁷ Emmette S. Redford, Administration of National Economic Control (New York : The Macmillan Company, 1952), p. 1

²⁸ See George A. Steiner, Government's Role in Economic Life (New York: McGraw-Hill, 1953), Chapter I

Organisation is used to provide unity, coherence and direction.

Economic controls have been administered through three types of organisation. First, in the executive departments; second, by independent executive agencies, that is, by agencies located outside the regular departments but subject unquestionably to the Chief Executive. The third type of organisation is the independent regulatory commission, engaged in control of private economic activities and independent in some measure from executive supervision.²⁹

The creation of an organisation of central planning is not unaccompanied by some problems. The central planning agency is so much loaded with work that it does not know whether it is a research, a propagandising, a management, or an advisory agency. It is obvious that the administrative effectiveness of a central planning agency depends upon its relation to the Chief Executive; the effectiveness depends upon the extent to which the latter is disposed to make use of that agency. The planning agency must work for and with the responsible executive; much will depend on the relation between these. Planning is an administrative job and central planning is even more so. There are relations with other agencies and individuals to be conducted, internal procedures to be developed, operating decisions to be made. Under these circumstances a board or commission can work satisfactorily either if the members willingly subordinate themselves to a single member, or divide the work of the agency and each take up a segment. The second situation destroys the possibility of central administrative leadership.

Furthermore, much depends upon the conception of planning. There is great diversity in the way governments particularly in the lesser developed countries try to promote economic and social development. However, there is urgent need for some mechanism to coordinate various departments and agencies con-

²⁹ Emmette S. Redford, op.cit. pp. 272-273

cerned in developmental planning if this aim is to be achieved.

One of the most difficult problems connected with the planning and directing of economic activity is the tendency towards excessive centralisation which discourages individual effort. It is important that the political and economic planning system provide the fullest scope for individual and local participation. Once institutions and organs of self-government and cooperation have been set up they should be run by the people themselves. Otherwise they merely remain instruments for state administration.

But the fact remains that these institutions in underdeveloped societies come into existence only as a result of state policy. The officials have the function of propagating them, starting them, and guiding. It will be a most difficult task to do it in such a way that out of planning and instigation from above comes the surge of a movement from below. This problem of getting the process going by state planning and policies is a new and different one, which the Western countries have never faced.³⁰

³⁰ Gunnar Myrdal, Op.cit. p. 99

CHAPTER III

THE PLANNING PROCESS IN PAKISTAN → WHAT WAS DONE

Historical Perspective

"An interpretation of Pakistan's present situation requires an understanding of the economic and political factors that preceded it. When in 1947 the country was created, problems were complex and voluminous. If not literally unsurmountable they were of a magnitude to render her continued existence over the years a remarkable achievement."¹

The subject of economic development was widely discussed in the Indian sub-continent particularly during the Second World War and the years immediately after. 'National' plans were formulated by a number of groups and public agencies were engaged in preparing schemes for absorbing defence personnel to be demobilised after the war. A Department of Planning and Development was organised by the Central Government in order to finalise projects prepared by central ministries, and to coordinate them with similar schemes prepared by the provincial administrators. Work on some projects had commenced even before the war ended, though progress was retarded by events leading to the Partition in 1947.²

Planning consciousness had taken roots and the Indians were bent to better their welfare. Books started appearing on the subject and it was even thought, perhaps erroneously, that very wealthy countries, and countries already highly developed do not feel it necessary to plan for future development except in a

¹"Economic and Political Problems in Pakistan", an article in World Today, Volume 15, (April, 1959), p. 168

²Russell Andrus and Azizali F. Mohammed, The Economy of Pakistan (London: Oxford University Press, 1958), p. 478

period of crisis, such as war. For nations with underdeveloped and stagnant economies, however, government planning is essential.³

Planning consciousness was apparent on the Indian scene as early as 1933 when Sir M. Visvesvarayya, a leading figure of the time, formulated a ten-year plan with a target of doubling the income of the country. In October 1938, at a Conference of Ministers of Industries a resolution was passed stating that "... the problems of poverty and unemployment, of National Defence and of economic regeneration in general cannot be solved without industrialisation. As a step towards such industrialisation, a comprehensive scheme of National Planning should be formulated."⁴

The Conference appointed a National Planning Committee with Pandit Jawaharlal Nehru as Chairman, who in a memorandum emphasised that "national independence is an indispensable preliminary for taking all the steps that might be found necessary for carrying out the plan in all its various aspects. It is not even possible to draw up a plan on any other basis...we are hedged in and obstructed by numerous restrictions, limitations, safeguards and reservations which block our path to planning and progress."⁵

The National Planning Committee appointed several sub-committees to study different aspects of the national economy and as many as twenty-five reports of these sub-committees were prepared.

Though the Second World War and other political developments intervened to interrupt the work of the National Planning Committee, the Committee did succeed in its primary purpose of briefing the people as to the nature and importance of planning.

³ Planning Commission, Government of India, The New India (New York: The Macmillan Company, 1958), p. 64

⁴ O.K.Ghosh, Problems of Economic Planning in India (Allahbad: Kitabistan, 1957), p. 46

⁵ Ibid, pp. 46-47

And it did more than that by making the British listen to the demands of the local population.

The Government of India could no longer pursue its passive policy and appointed a High Level Committee for planning in 1941. In 1943, this committee was replaced by the Reconstruction Committee of the Cabinet, with the Viceroy as Chairman. The Committee prepared two reports on Reconstruction Planning and recognised the "ultimate object of all planning - to raise the standard of living of the people as a whole and to ensure employment for all."⁶

In 1944, a separate department of Planning and Development was established. Panels were constituted for the development of the basic and important consumer goods industries. The post-war development plans prepared both by the Provincial and Central Governments were coordinated by this Department to form a comprehensive plan.

During the same year, eight leading industrialists of India prepared "A Plan for the Economic Development of India", popularly known as the Bombay Plan. The planners admitted "the plan set out in it is not in any sense a complete scheme nor is its scope so comprehensive as that of the National Planning Committee to whose labours the conception of a planned economy for India is largely due. The object is merely to put forward, as a basis for discussion, a statement, in as concrete a form as possible, of the objectives to be kept in mind in economic planning in India, the general lines on which development should proceed and the demands which planning is likely to make on the country's resources."⁷

In September 1946, about a year before the Partition, an Advisory Planning Board was appointed to make a rapid survey of the work already done in the field of planning and to make

⁶ Ibid, p. 47

⁷ Ibid, p. 48

recommendations for the coordination of planning, definition of objectives, and the establishment of priorities as well as the machinery for planning. The Board submitted its report in December 1946. This report emphasised that planning is by its very nature dynamic, and a good deal will have to be learnt by actual experience. It also frankly recognised that the country did not possess either the sufficient knowledge data and statistical information, or sufficiently extensive control over economic activity to be either able to frame or execute plans whose combined and cumulative effect will be to increase per capita income by a predetermined amount.

With the attainment of independence and the division of the sub-continent into two separate states called India and Pakistan, new impetus was given to planning. Till 1947 though much thought had been given to developmental aspects, the people were mostly absorbed in working to free the land from foreign rulers. As such most efforts were directed to this end.

Other problems encountered were the sheer size of the vast region and the huge population which lived in it. The population was moreover, diverse in language, custom and religion. Linguistic differences both illustrate the deep-seated diversity of the population and also helped to perpetuate it. There were a score of different major languages, and at least fifteen different major scripts. The sub-continent was more nearly a collection of peoples and countries than a single nation or country.

These old differences underlined the risks of policies likely to endanger the fragile unity. As Bauer remarks, it is arguable that the increasingly close government control of social and economic life in recent years has tended to strengthen separatism. It has enhanced the prizes of political power, and thus the intensity of the struggle for it. Linguistic, ethnic and geographical groupings have been enlisted in this struggle; and the exercise of the extensive government powers in economic matters has accentuated concern with ethnic differences between the rulers and the ruled, and between the centre and the regions.

These tendencies have counteracted other official attempts to reduce or eliminate differences between different sections of the population. The Central Government tries to ensure representation of different ethnic and linguistic groups in important political and administrative posts, but this leads to inefficiency without removing the essential factor behind the growth of separatism.⁸

In the newly born state of Pakistan things were in utter chaos. The country had no capital, no organised army and no offices, lacking many things which are essential for running administration. Political freedom had been won, but the country's leaders and people were faced with the bleak reality that freedom from want, poverty, disease and illiteracy had yet to be won. Freedom had been achieved but at the cost of the emergence of various social and economic problems.

Britain treated the whole of India as a political and economic unit and did not pay attention to the balanced development of different regions in order to exploit their respective natural resources for the benefit of local population. This policy produced lop-sided development and thus industry was not properly diffused. Various political considerations also played a part. For instance, large areas of West Pakistan in Punjab, Sind, Baluchistan, and the North-West Frontier Province which four provinces formed the area of W. Pakistan, were the recruiting ground for soldiers of the British Indian Army. It was not thought practically expedient to have there any large scale industries which could have handicapped the recruitment policy. Thus, although West Pakistan grew and supplied large quantities of staple cotton to mills both in India and abroad, ver few cotton mills were established there. The position in East Pakistan was

⁸P.T. Bauer, Indian Economic Policy and Development (London: Allen and Unwin Limited, 1961), pp. 14-15

even worse. There were no jute mills though this province produced over seventy percent of the total jute crop of the sub-continent. The area's railways, roads and irrigation projects were probably the most backward of the whole sub-continent. It was clear, therefore, that it would take many years of continued effort and enterprise before the country could be put on the road of economic progress.

These basic drawbacks were further accentuated by the refugee problem, inadequacy of financial and commercial institutions, shortage of technical and administrative personnel, and the disruption of trade and commerce. Financial issues resulting from partition arrangements placed a huge burden on the new administration. However, with enthusiasm born out of newly won freedom the country faced the future with great confidence. As an observer writes: "The ensuing months witnessed an accumulation of difficulties to which the new country might have succumbed had there not been the invincible desire, as well as determined effort, to overcome them."⁹

Frontiers based on allegiance to the Moslem faith severed old ties and former arrangements. The frontier cut aslant the vast irrigation system, East Pakistan lost its port, there were no head offices of major firms, few banks and virtually no industry. Pakistan's inheritance in terms of trained men and women seemed almost more disastrous. The relative backwardness of Moslem education had long been a particular cause of the Moslem's fear of Hindu domination. Trade and industry had been in Hindu hands; Pakistan had virtually to invent a professional and administrative class.

"To these dire and direct results of partition must be added four other major difficulties - general poverty in the new

⁹Herbert Feldman, Pakistan - An Introduction (Karachi: Oxford University Press, Pakistan Branch, 1960), pp. 7-8

state's resources, an extraordinary divergence between its two wings, the instability of its politics, and the hostility of neighbouring states."¹⁰

There is almost a hint of some vast cosmic prank in the bringing together in a single state of two regions a thousand miles apart and so opposite in physical structure and way of life. The western wing is a land so arid that only massive irrigation keeps it from reverting to the desert; the East, a land that seems to threaten as constantly to slip away into a world of water. In the West live men of mountain and plains, exposed to culture of Persian and Central Asian conquerors for centuries, while in the East, the Bengali farmers have an almost unbroken history of subjugation. The sole link is allegiance to the Moslem faith. In East Pakistan, the cross-currents of affinity with a common all-Bengal language eddied across the Moslem mainstream and drawn additional strength from other disparities between East and West.

A look at the topographical features will further add to clarify the schism that exists between the two wings. The total area of Pakistan is 365,504 square miles. Of this West Pakistan covers 310,378 square miles or 84.9 percent of the total, and that of East Pakistan 55,126 square miles or 15.1 percent of the total.

Pakistan's population in February, 1961 according to the 1961 census, was assessed at 93.8 million (the latest official figure available). Of this, 50.9 million or 54.3 percent were in the East and 42.9 million or 45.7 percent in the West. Between 1951 and 1961, the population increased by 23.8 percent in the country - 21.2 percent in East Pakistan and 27.0 percent in West Pakistan.¹¹

¹⁰"Pakistan" The Economist (December 2, 1961), p. 925

¹¹For figures see Ministry of National Reconstruction and Information, Government of Pakistan, Pakistan Basic Facts (Rawalpindi, December 1961), p. 10

Thus well over half the population lives in the East wing, but in less than one-sixth of Pakistan's total area. The density of population in the West is 140 to each square mile; in the East it is 922. Yet economic development has been pushed much more rapidly in the West wing. Large scale industry contributed three times more to national income in the West than it did in the East, as in 1959-60.

The same disparities appear in administration. In the first decade of independence, few East Pakistanis reached senior official positions. It was not surprising that a certain degree of disgruntled separatism appeared in East Bengalis and was reflected in their politics. This element is still present. As the entire structure of government had to be instituted from the foundations during a period of great civil conflict and chaos, the seeds of future shortcomings were already laid.

The country's political instability which militated against any long term economic development plans, also arises to a great extent from the fact that at the time of independence Pakistan did not possess a trained and experienced cadre of civil servants who could be relied upon for integrity of administration, and she has also suffered from the absence of a well-developed party system. At the same time the cost of civil administration in Pakistan has been very high. Apart from the large proportion of income spent on defence, almost one-fourth of national revenue was used for civil administration. The constitution was enacted only eight years after the achievement of independence to be abrogated in 1958; and the traditions of Cabinet government did not have time to establish themselves. No cabinet was able to rely full support of the electorate, legislature or party.¹² In 1950, a free-lance writer wrote;

"During the more than three years which have elapsed

¹²"Economic and Political Problems in Pakistan" The Economist (december 2, 1961), pp. 173-174

since the partition of the Asiatic sub-continent it has become increasingly clear that if these two nascent states (India and Pakistan) are to survive, let alone prosper, they must strive to live up to the ideals and messages of their founders."¹³

Pakistan, according to the same writer suffers from two handicaps - lack of trained administrators, industrial managers, technicians and skilled workers; and the prevalence of administrative corruption.¹⁴ The founder of the nation, Mohammad Ali Jinnah, had little time to mend either defect before his death which came soon after creation of his life-long ambition.

The weakening of the administration was not unconnected with the large scale exodus of British officers. It came at a time when the course of the country's affairs was running far from smoothly. Mr. Jinnah, was quick to appreciate the importance of retaining as many experienced administrators as possible during the difficult transition period. His authority and prestige sufficed to silence uninformed critics who were clamouring for complete elimination of the foreign element from the services and replacing it by local talent. After him, dictates of internal politics speeded up the process of "Pakistanisation". Even Premier Liaquat Ali Khan, one of those who helped create the nation, in his anxiety to maintain his position and secure support for central policies had to compromise. While this gave satisfaction to his followers and supporters, the quality - efficiency and integrity - of administration has inevitably suffered.

At the annual dinner of the Pakistan Chamber of Commerce in December 1949, the then Governor-General, K. Nazimuddin stated that the best interests of Pakistan and its people demand that we should rapidly industrialise. But the pace at which we are going is not fast enough. I realise that commerce provides quicker and higher returns, but one should not forget that the

¹³V.S. Swaminathan, "Pakistan Problems and Prospects" Middle East Journal, Volume 4 (October, 1950), p. 447

¹⁴Ibid, p. 450

sellers' market of today is not going to hold forever. Why not start building on the surer foundations of industries and contributing to the well-being of the state?"¹⁵

Such, then, were the difficulties inherited by Pakistan; this the turmoil of its years. The Government had no other alternative than undertaking the biggest role in the economic development of the country. The economic policy of the state had to be directed to raise the living standard of the people, equitable distribution of wealth, exploitation of vast natural resources, equity and social justice for the employers and the employees. Food, clothing, housing, education and medical attention had to be provided. Although the country has as yet to achieve its goals, although it is still rating as underdeveloped in many respects, "yet today it rates among the more stable economies in the developing world.... Clearly some very large transformation has occurred."¹⁶

¹⁵Ibid, p. 460

¹⁶"Pakistan" The Economist (December 2, 1961), p. 927

The Years Before The
First Five-Year Plan

"Nature has given you everything; you have got unlimited resources. The foundations of your state have been laid and it is now for you to build, and build as quickly and as well as you can. So go ahead and I wish you Godspeed"¹⁷

- Mohammad Ali Jinnah

Pakistan was quick to comprehend the task of nation building and was eager to embark on vast series of development programmes. For operating these, problems of organisation and administration immediately arose.

In facing these great tasks, the country was particularly fortunate for having so strong a foundation on which to build. It is true that at the time of independence not adequate administrators were available but the country had accumulation of knowledge to produce them. In contrast to some other underdeveloped nations where colonial rule left no such heritage, the British Government in India had set up an organised administrative system, and an administrative service of high competence and integrity. Upon independence, these could be and were at once applied to the needs of the new nation. The calibre of the administrative services, had, moreover, attracted many able graduates, and Government had a high level of prestige.

Under the British Government, administration of the sub-continent had been adapted primarily to regulative and revenue functions. While it progressively took up some development services, its chief duties were still to maintain law and order, collect taxes and administer a dependency.

The new Government of Pakistan, however, had to develop not only as an independent and democratic government, but as a service government, capable of planning and putting into action an intensive welfare programme, of providing effective leadership and

¹⁷ Quoted in Keith Callard, Pakistan, A Political Study (London: Allen and Unwin limited, 1957), p. 266

action in meeting the needs of the people, of enlisting and fostering their partnership and participation, of acting swiftly and flexibly in a period of urgency and great change. The Government even before the years of the First Plan, invited study by expert public administration analysts, both local and foreign, to determine how its structures and procedures could give efficient support to development programmes.

On the basis of these early studies, both the Central and Provincial Governments instituted important reorganisation proposals in administrative structure and procedures.

Evolution of Planning Machinery:

The first major step in integrated economic development was taken in 1948 when a Development Board was established early in that year. With the Minister of Industries, Commerce and Supplies as Chairman and the Departmental Secretaries concerned with economic development as members¹⁸ the Board was given the specific function of "approving and coordinating individual developmental schemes, both central and provincial, consistent with optimum utilisation of available resources, making recommendations regarding priorities among development plans, and evaluating progress of schemes with a view to removing the bottlenecks if any and ensuring steady growth."¹⁹

All schemes involving a non-recurring expenditure of Rupees 50,000 or more (or a recurring expenditure of at least Rupees 10,000) were to be submitted to the Board. Due to limitations of data, the need for achieving balance and integration among the schemes apparently remained unfulfilled at this stage. The Board ordinarily did not receive references for all projects, but only

¹⁸ Aftab Ahmad Khan, The Position of Planning Organisation in the Governmental Structure of Pakistan (Planning Commission, Government of Pakistan), p. 2

¹⁹ Quoted from Statement of Industrial Policy, Government of Pakistan in A.M. Haq, "Reflections of Economic Planning in Pakistan" Far Eastern Survey, Volume 27 (January 1958), p.1

for those which provincial governments could not execute from their resources. Sometimes central ministries issued direct sanctions for schemes not reviewed by the Board, presumably on the ground that such schemes were part of normal departmental activity.²⁰

A Planning Advisory Board consisting of the representatives of the Central, Provincial and State Governments and of trade and industry was established to review the implementation of various plans. The Provincial Governments and the Operating Ministers of Central Government were asked to review their development programmes and to report to the Development Board which was assigned the task of preparing a comprehensive, coordinated and phased development plan. The same year (1948), a Ministry of Economic Affairs was also established for day to day coordination in economic matters between the various ministries. The Development Board, the Planning Advisory Board and the Office of the Economic Adviser were attached to this Ministry. An Economic Sources and Requirements Committee helped prepare a general survey of short term and long term requirements in the more important fields and also to estimate the corresponding requirements of plans and machinery for the next few years.

Until its replacement by a Planning Commission in January 1951, the Development Board had approved 112 schemes in principle, involving a capital expenditure of Rupees 1,125 million.²¹ Since most of the approvals were given on an ad hoc basis, without any overall estimate of resources, many of the schemes had not advanced far by 1950.²²

²⁰Russell Andrus and Azizali Mohammed, op.cit. p. 478

²¹United Nations, Economic Survey of Asia And the Far East-1954, p. 159

²²Andrus and Mohammed, op.cit. p. 479

Six-Year Development Programme:

No official priorities for industrial development had yet been laid down by the National Planning Advisory Board, although in 1949 it was decided that certain specific projects, like electric power projects were to be operated on given financial assistance by the Government.

In January 1950, the Government submitted a statement on those fields where, because of shortages of trained Pakistanis, the assistance of foreign personnel in an advisory capacity or on a contract basis was required, as well as the country's most urgent needs for overseas training. It was understood that a more comprehensive survey of the more urgent shortages of trained personnel and of requirements for foreign technicians would be made in relation to technical assistance available under the United Nations and other programmes.²³

Early in 1950, an opportunity arose for the conscious formulation of priorities and the establishment of a more coherent framework for the development effort. The idea of a regional programme of economic development in South and South-East Asia was first moved at a meeting of Commonwealth Finance Ministers in January. It was recognised that existing conditions of poverty, malnutrition, and disease in the region endangered the stability of a vital area. "This then is the challenge with which a quarter of the people in the world are faced. Plan and develop, or live in poverty....Nor can there be very much doubt as to the consequences if the challenge were to be disregarded."²⁴

A Commonwealth Consultative Committee was established to discuss means of alleviating these conditions. At its meeting in

²³ United Nations, Fields of Economic Development Handicapped by Lack of Trained Personnel in Certain Countries of Asia and the Far East (Bangkok, 1951), pp. 21-22

²⁴ Progress in Asia - The Colombo Plan in Action (London; His Majesty's Stationery Office, 1953), p. 8

Sydney (May, 1950), it was decided that Commonwealth countries in the region would formulate their development plans for the six-year period commencing in mid-1951. A Council of Technical Cooperation was to cater to the training facilities, provision of experts and equipment. The national plans were submitted by Pakistan along with other members at a meeting in 1950. This determined effort of self help and effective cooperation came to be called the Colombo Plan. On November 29, 1950, the Government of Pakistan adopted as its national segment of the Plan by a resolution in Parliament.

The Six-Year Plan designed to cover the period from July 1951 to June 1957, was officially described as essentially one of basic development intended to prepare the country for future advancement. It focussed attention on the expansion of 'overhead' facilities in such fields as communications, power and irrigation. The Plan covered a large number of schemes, including many already approved by the Development Board, with some attempt to integrate the schemes and to frame certain targets of development in the light of requirements during the Plan period. An outlay of Rupees 2,200 million included the fields of public sector and Rupees 400 million were for the private sector split as follows:-²⁵

Sector	Amount (Million Rs.)	Percentage of Total Expenditure
Agriculture	820	32
Communications and Transport	530	20
Fuel and Power	470	18
Industry and Mining	490	19
Social Capital (Housing etc.)	290	11
Total	2,600	100

Note: One million Rupees = Sterling 74,710 = U.S. \$ 210,000

Plan implementation was expected to yield 30 percent increase in the national income, and achieve diversification and structural balance in economy growth.

²⁵Keesing's Contemporary Archives, September 24-31, 1951, 11349.

The Government had decided that the best method of implementing the Plan would be "to establish an autonomous administrative machinery charged with the specific responsibility for its execution."²⁶ As such the execution of the Plan was entrusted to an Economic Council, a special committee of the Central Cabinet to which it was directly responsible, presided over by the Prime Minister and with Central Ministers for Agriculture, Communications, Economic Affairs, Education, Finance and Industries as members. Functioning under it was a Planning Commission which would examine and coordinate development schemes and advise the Council on matters relating to planning and development. The latter body was presided over by the Minister for Economic Affairs and included as members the Secretaries of the Central Ministries, the Development Commissioners, and Secretaries of the Provincial Governments. Some of the projects included in the Plan were also examined by a mission of experts provided by the World Bank.

Financial control over the programme was to be exercised in the ordinary way, through provision in the budget to be approved by the legislature. Before expenditure actually took place each project would be scrutinised by the Ministry of Finance, and if exceeding Rupees 100,000 also by the Standing Finance Committee of Parliament.

"The Plan was a deliberate attempt to transform expectations into limited achievements and provide requisites for economic development rapidly."²⁷ It was formally initiated in July 1951, although some of the projects covered were already under execution. It soon became apparent, however, that inadequacies and omissions had been made. Since the Plan had been hastily prepared within a period of only three months, it represented chiefly a list of projects under execution or consideration, which presumably could be completed within six years, if the finances as estimated for them were forthcoming. In some sectors like agriculture, only lump-

²⁶ Ibid.

²⁷ A.M. Haq, "Reflections on Economic Planning in Pakistan" Far Eastern Survey, Volume 27 (January, 1958), p. 2.

sum provisions were made because specific projects were not available. The Plan did not provide an integrated framework for the development during the period of its operation. Thus it was observed in 1957 at the end of the Plan period:

There has been substantial rise in the rate of development but the pace will have to be further accelerated if the targets are to be accomplished.

It will continue to be very difficult to obtain resources including foreign exchange to expand the development programme as rapidly as envisaged by the Plan. Furthermore, the inadequacy of the administrative and technical organisation, both at the Central and Provincial level, is expected to remain a major obstacle for sometime to come, and a substantial improvement in government organisation and administration is a first requisite for the success of both public and private development programmes. Vigorous action is also urgently needed, according to the Plan, to re-vitalise the institutions of local government, and other bodies by the training of personnel and by improvement in the procedures, techniques, and outlook of the public services. The Plan further recommends that public corporations should be established as necessary to manage commercial undertakings and large multi-purpose schemes which require a high degree of coordination in planning and execution; and it envisages that private enterprise should be stimulated to play the maximum part in development programmes by carefully directed government policies and publicity."²⁸

Meanwhile, the effects of the Korean War were becoming evident and created problems and priorities not foreseen by the planners. Prices of capital goods increased and supply difficulties appeared. Financial provisions became increasingly inadequate. The fear of a possible global conflict brought a new sense of urgency to the development effort, or at least to some important parts of it. As a result a 'Two-Year Priority Plan' was formulated in April 1951.

²⁸ Sixth Annual Report of the Consultative Committee, The Colombo Plan (London: His Majesty's Stationery Office, 1957), pp. 102-103.

Two Year Action Programme:

This plan modified the development expenditure and output targets as well as the order of priorities because of crisis in Korea and its impact on financial resources and cost of development. It emphasised an accelerated pace of development in certain industries which would promote self-sufficiency in essential consumer goods and services.

Since this plan included some projects of the Six-Year Plan it was to that extent a part of it, but new schemes, especially in transportation and industrial sectors, claimed a substantial part of the total outlay involving 518 million Rupees and 29 projects. The development expenditure was allocated as follows :

Sector	Amount (Million Rs.)	Percentage of total.
Industry and Mining	244	47
Fuel and Power	136	26
Transport and Communications	128	25
Agriculture	<u>10</u>	<u>2</u>
Total	518	100

Source: F.B. Arnold "Overseas Economic Surveys: Pakistan, Economic and Commercial Conditions" (His Majesty's Stationery Office, May 1954), pp. 36-37.

However, before implementation of the priority plan had proceeded very far a radical change in the country's economic situation ensued. There was a sharp decline in export prices, serious food shortage, a deterioration in terms of trade. The drastic curtailment of imports gave further point to the need for reducing dependence on outside world for vital supplies. Substantial changes in the emphasis and direction of planning appeared inevitable.

For a comprehensive review of the economic situation, an Economic Appraisal and Development Inquiry Committee was appointed in August 1952. Its terms of reference included a survey of the measures that would reinforce the country's economy and a review of the development schemes already approved or under preparation

together with suggestions for the overall pattern of economic development.

Reporting in March 1953, the Committee allotted priorities to individual projects, highest priority being given to agricultural power projects, industrial development, and schemes for training of technical personnel and administrators. The Committee proceeded to recommend that more orderly and integrated planning be done than hitherto. A stage was thus reached when the preparation of a comprehensive plan of balanced growth could no longer be curtailed and proper machinery provided for administering the development planned.

This recommendation was implemented with the appointment of a Planning Board in July 1953, charged with the responsibility of reviewing development activity since 1947; assessing human and material resources which could be made available during the five years commencing April 1, 1954; preparing a national plan of development based on the fullest possible utilisation of these sources; and making recommendations regarding the administrative machinery best calculated to assure successful implementation of the plan.²⁹

²⁹ Andrus and Mohammed, op.cit. p. 485.

The First Year Plan: Administering Planned
Development

"Although the rate of development has risen in recent years, it must rise much further if the country is to enter a period of sustained progress. The Plan offers a great challenge to the country, especially to the officials who will be called upon to execute the public sector programme. We have proposed high targets; only the most single-minded dedication will make it possible to achieve the objectives." 30

The Pakistan Planning Board set up by the Government in 1953 started work in the middle of 1954 with a small staff of Pakistani and foreign experts. The board consisted of three members³¹-- Messrs Zahid Husain (Chairman), Mafizuddin Ahmad and Said Hassan. The Board was to prepare a plan for the most effective and balanced utilisation of the country's resources.

The First Five Year Plan aimed at co-ordinated presentation of the requirements of the economy and of the resources available. It laid down a scheme of priorities designed to impart balance to the economy and to lay the foundation for orderly development.

The economy in 1954-55 was far from viable. Living standards were among the lowest in the world. The then existing development programme was much below the level necessary to enable economic expansion to outstrip population growth.

These considerations influenced the size and composition of the First Five Year Plan, which was "the first conscious attempt at forcing the pace of development. The Plan was the first decisive step in the long and arduous ascent ahead."³² The plan was intended to indicate how a comprehensive coordination of efforts and resources of private and public groups and individuals could produce maximum benefits from a rational husbanding of the country's

³⁰ Planning Board, Government of Pakistan; "The First Five Year Plan (1955-60) - Outline (Draft)," p. 2.

³¹ Asian Recorder, May 19-25, 1956, 849-A.

³² Planning Commission, Government of Pakistan, "First Five Year Plan - Preliminary Evaluation Report, September, 1959, p. 1.

limited resources.

A draft plan covering the five-year period from April 1, 1955 to March 1960 was published in May, 1956. Although presented after the commencement of the period covered, the Planning Board had been enabled to influence proposals for development included in the 1955-56 budget (and again in 1956-7), in the preparation of which it was given an opportunity to express its views in the light of tentative decisions reached on the size, objectives and priorities of the Plan. At the same time, the Board stated that its Plan could not but reflect, in its initial stages, the development that was already under way and that only in later years could the changes in the pattern of investment recommended by the Board become effective. The Board explained the time taken on the formulation of the Plan as due to "lack of adequate planning arrangements in Central and Provincial departments and agencies, inadequate statistics, and rapidly changing political and administrative arrangements."³³

Perhaps of greater significance was the opportunity made available for an expert assessment of the total resources available for development, the determination of a system of priorities, eliminating inconsistencies and overlapping, and the overall integration of the development programme through a careful testing of its component parts in terms of efficiency, feasibility and consistency. The Board was assisted in its work by a team of experts provided by Harvard University under a grant from the Ford Foundation.

The Board had to choose between two courses³⁴ for proceeding in its task. It could have started from pre-determined targets of (increasing) national income, employment and production and regarded all the resources of the community as available for development work. The other was to assess the maximum amount of resources which the community would be willing to devote to development either through public or private saving; and including resources made available from abroad in the form of private investment and public loans and grants. It rejected the first approach

³³ See Andrus and Mohammad, op. cit., p. 486.

³⁴ Ibid, pp. 486-487.

as likely to impose on the people tasks 'often larger than they can bear without suffering serious hardships.' However in choosing the second approach the Board made it clear that this did not 'mean absence of sacrifice' since it assumed that 'government and the people put forth their maximum effort.'

Nor did the adoption of the latter approach mean that there was no place for an assessment of requirements. In fact, the Plan was "formulated through a process of successive approximations by means of a comparison of resources available and of claims upon these resources."³⁵

In May 1956, the draft of the First Five Year Plan was published throughout the country. Suggestions for improving its scope and content were invited by the Planning Board from the Provincial Governments, Chambers of Commerce and Industries, universities, trade unions, other institutions and the press. These suggestions were given careful consideration by the Board, and in many instances, the Board had useful discussions with the agencies concerned. Discussions were also held with the Governments of East and West Pakistan, and with the Ministries concerned of the Central Government. On the basis of the conclusions emerging from these discussions, the plan was revised by the Board and submitted for the consideration of the National Economic Council in February 1957. The Council considered the Plan at its meetings held in February and April 1957 and accorded general approval to its size, social and economic objectives on April 15, 1957. However the final version of the Plan was published a year later in May 1958 when the first three years of the Plan had already passed.

The objectives of the Plan as stated by both the revised and draft Plans were as follows:³⁶

³⁵ Planning Board, Government of Pakistan, The First Five-Year Plan (Draft), Volume I, May 1956, p. 73

³⁶ Planning Board, Government of Pakistan, The First Five Year Plan 1955-60, December 1957, p. 13

- a) To raise the national income and the standard of living of the people;
- b) To improve the balance of payments of the country by increasing exports and by production of substitutes for imports;
- c) To increase the opportunities for useful employment in the country;
- d) To make steady progress in providing social services: housing, education, health and social welfare; and
- e) To increase rapidly the rate of development, especially in East Pakistan and other relatively less-developed areas.

Stating these objectives the Board declared that "the first development Plan must be viewed as a foundation from which the economy can make more rapid and balanced progress in the future. The benefits will accrue in part during the Plan period The technical and organisational resources of the country will be increased, and it will be possible to undertake much larger development programmes in the future."³⁷

Considering the resources that could be made available for development and the targets of development feasible within the limits of these resources, it was expected that an increase of about 15 percent in national income could be achieved over the Plan period. With an expected increase of about 7.5% in population the percapita income could be said to rise by 7 percent.³⁸

The development programme proposed for the country was estimated to cost 10,800 million rupees during the five-year period, 7,500 million in the public sector and 3,300 million in the private sector. In the public sector programme were included the estimate cost of specific schemes, which have been reviewed, and reserves to cover the cost of possible schemes for East Pakistan. These add up to a total of 9,350 million rupees. From this total is deducted an estimated short-fall of 1,850 million rupees to arrive at the expenditure target of 7,500 million rupees split as shown in Tables A and B on page 54.

The Plan contributed greatly to economic thinking and policy making in the country. An Economists' Conference began in Karachi on June 1, 1956. Called by the Planning Board, it was presided over by Mr. Qureshi, Chief Economist of the Planning Board. In his inaugural speech the Chairman of the Board (Zahid Husain)

³⁷ Ibid, p. 15

³⁸ Ibid, p. 13

Table A: Development Expenditure Under
the Five-Year Plan

Sector	Amount in million Rs	Percentage of total
Village Aid & Rural development	298	3.2
Agriculture	1207	12.9
Water & Power development	2697	28.8
Industry (including fuels & minerals)	1622	17.4
Transport + Communications	1666	17.8
Housing + Settlements	861	9.2
Education + Training	580	6.2
Health	288	3.1
Social Welfare + other	<u>133</u>	<u>1.4</u>
Total:	9352	100.0
Less: likely short-fall	<u>1852</u>	
Estimated Net Expenditures	7500	

Source: Planning Board, First Five Year Plan, Dec. 1957.
p. 15

Table B: Summarised Sources and Uses
of Resources

Sources	Amount in Million Rs	Uses	Amount in Million Rs
Public Saving	1000	Public Investment	3300
Private Saving	5600	Public Develop- ment Expenditure	<u>7500</u>
Total Saving	6600		
External Finance	<u>4200</u>		
Total	10800	Total Uses	10800

Source: Planning Board, The First Five Year Plan, p. 22

said that the Plan is ambitious because of its size and gives greater attention to those sectors which received insufficient attention (agricultural and technological education) or were ignored (social welfare) in the past. The targets, he continued, will not be easy to attain; they will be achieved only if the Provincial Governments act with vision, courage and resolution. He believed that the Plan is feasible both physically and economically but not under easy-going or complacent policies. Fulfilment could be retarded by political instabilities and administrative indifference. The kind of society which the Pakistani planners had in mind, in formulating the proposals was "a lively society bursting with activity which can be achieved by providing incentives for the development of talents, skill and enterprise. It must concede equality of opportunity to all, where men and women can realise the attainment of their capabilities."³⁹

In his presidential address, Mr. Qureshi declared that planning involved formulation of policies in keeping with the social and economic objectives of the country. When resources -- financial, material and technical are limited, as in Pakistan, determination of priorities is inevitable.

At the end of its deliberations (June 6) the conference released a report endorsing recommendations of the Planning Board relating to land reforms and development priorities. However, there was no reference to administration.

Implementing the Programme: Administrative Feasibility

A development programme must not only provide for the most productive allocation of the available resources among different uses; it must also be workable one in the sense that recommendations are capable of execution, that the organisations required either exist or can be created, and that the changes in customs and practices implied can be made. Thus, a large number of institutional and administrative considerations are involved not subject to quantitative calculations alone.

The planners admitted that the most serious limitations on the feasibility of the programme are to be found in the area

³⁹ Asian Recorder, June 9-15, 1956, 882

of organisation and administration. The effective limitation to the size of the plan were felt not so much in the lack of investment funds, but considerations of feasibility. The Plan, as a flexible instrument of public policy has to be adjusted when conditions alter and new information becomes available. Lack of good statistical data and proper cells of administration were the biggest hurdles encountered during the First Plan.

Thus it was argued that once definite goals had been defined, a dynamic approach of attitude is required. To put the Plan into operation would require legislation, administrative decisions, and a certain amount of governmental reorganisation. Important sectors of the programme depend on private decisions to invest and to produce, which must be guided by proper public policies and necessary administrative assistance.

Private enterprise has to play an important role in implementing the Plan. It permits a high degree of decentralisation, flexibility and a capacity to adapt its organisation and methods to the task in hand. The selection and promotion of personnel is not hampered by the restrictions that are inevitable in the public service. Although the Government in Pakistan has larger role to play in establishing and promoting research organisations, private enterprise can discover new and better products.

Private enterprise can also find new talent and skill. The process of personnel selection and promotion in the public services is necessarily routine and tends to be bureaucratic. Private enterprise can be much more flexible; it can recognise and advance talent without the same regard for educational standards, seniority rules and the like, and without fear of public criticism.

However, despite the Government's encouragement to enterprise, nearly two-thirds of total development expenditure during the period of the Plan was to be undertaken by Government. This meant added work for an already slow administration, which led observers to remark that Pakistan's "problems are less attributed to the difficulties inherent in a country hampered by general development, illiteracy and lack of capital than to the incompetence of its political leaders with their limited intellectual

capacity, slender political convictions, and deficient political courage."⁴⁰

The Planning Board itself declared that in many fields, present Government units are not capable of executing the tasks assigned to them. They do not have the trained staff needed; their organisational arrangements are imperfect. In a real sense the first requisite for the success of the Plan was a substantial reform and improvement in governmental organisation and administration. All departments have to survey their technical and administrative personnel to make arrangements for recruitment and training.

For the effective co-ordination necessary in executing the Plan, the Central and Provincial Governments must be advised by competent planning units working close together. Budgets must be closely related, exchange of information is needed between planning units and various ministries, a closer relationship with the Ministry of Finance.

National Planning Organisation

The Planning and execution of a developmental programme requires the support of every governmental unit. Schemes and proposals emanating whether at the village level or at the Centre have to be co-ordinated into district, provincial or national plans. The organisational arrangements for accomplishing these according to the Plan were: planning units in ministries and departments; central and provincial planning organisations for review and co-ordination; arrangements for reaching decisions and giving sanctions; and systematic procedures for execution.

The National Planning Board also felt that national and provincial planning are each necessary. No national plan could be said to be effective unless it takes into account the desires and capabilities of the Provinces. It was felt, that the Central planning Agency should be an agency of experts without responsibility for executing policies or programmes but enjoying a high prestige by virtue of its competence and impartial outlook. Amendments, adjustments and improvement must be made to achieve purposes of the

⁴⁰ Herbert Feldman, "Problems and Prospects in Pakistan" in Contemporary Review, Volume 193, February 1958, p. 71.

plan and with this need in mind, the Planning Board was accorded permanent status.

The Board was assigned the following functions:

- a) To prepare future Five-Year Plans of economic and social development.
- b) To make additions to and alterations in the existing Five Year Plan consistent with the changing economic conditions of the country.
- c) To tender such technical advice and offer such comments on financial matters bearing on development plans as may be requested by the Ministries.
- d) To stimulate and, where necessary initiate the preparation of schemes required to achieve national objectives in the economic and social fields.
- e) To examine development schemes, programmes and proposals with a view to their inclusion in the plans of development.
- f) To maintain a continuous and constant review of the progress of development, the benefits realised, and the difficulties experienced.
- g) To maintain a continuous review of the economic conditions of the country so far as these have a bearing on the development plans.
- h) To submit such periodic reports as the Government may desire from time to time.
- i) To encourage the improvement and expansion of research, statistical surveys, and evaluation needed to support effective planning and development in the country.
- j) Generally to advise the Government on economic policies and problems in various fields so far as these have a bearing on the developmental plans.⁴¹

The Planning Organisation under the First Five Year Plan consisted of an Economic Council, a Planning Commission and a number of sub-commissions.

The National Economic Council was at the apex of the planning machinery. A notification by the Cabinet Secretariat on November 29, 1956, said that the President had constituted a National Economic Council of Pakistan under Article 149 of the Constitution⁴² in order to "review the overall economic situation in Pakistan, to formulate financial, commercial and economic policies for consideration by the Central and Provincial Governments, and to ensure that uniform standards were attained in the economic development of the

⁴¹ First Five Year Plan 1955-60, p. 97.

⁴² Asian Recorder, December 1-7, 1956, 1180

country."⁴³

The Council consisted of 11 members with the Prime Minister as ex-officio-Chairman. Other members were Ministers of Commerce and Industries, Finance, Food and Agriculture, Communications; Chief Minister East Pakistan, the Minister of Commerce, Labour and Industries as well as the Minister of Health and Local Self-Government (E. Pakistan), Chief Minister West Pakistan, and the Ministers of Finance and Law (W. Pakistan). The Secretary to the Ministry of Economic Affairs acted as Secretary of the Council.

Under the Constitution the Council was to report before the 30th of April every year on results obtained and progress made in the achievement of its objectives.

On February 19, 1957, the Prime Minister (the late H.S. Suhrawardy) opened the first meeting of the Council in Karachi. In his address he declared that what required the Council's most urgent attention was the food problem. In a message to the meeting, President Mirza described the Council as the "supreme economic body of the country." Its duty was to ensure that the country's economic policy fulfilled the social and economic objectives of the Constitution.⁴⁴ The Council can thus be regarded as the final authority to sanction projects and schemes, make appraisals of progress and ensure implementations of development plans. It combined supreme policy making authority with that of programme implementation.⁴⁵

The Planning Commission⁴⁶ was presided over by the Central Minister for Economic Affairs and has as members Secretaries of the Central Ministries and Development Commissioners, and Secretaries of Provincial Administration. The Commission evaluated and co-ordinated development schemes both central and provincial, and made recommendations for approval to the Economic Council. This was super-imposed on a number of sub-commissions in the fields of agri-

⁴³ Keesing's Contemporary Archives, January 21-28, 1956, 14664

⁴⁴ Asian Recorder, March 2-8, 1957, 1335.

⁴⁵ A.M. Haq, op. cit., p. 3.

⁴⁶ Ibid.

culture, irrigation, etc. which are controlled by the top administrators of the Central Secretariat. This function of programme implementation distinguished it from the Planning Board -- essentially a programme formulation agency.

On May 23, 1959 in wake of sweeping reorganisation⁴⁷ the Government revised the Charter of the Planning Commission. The functions were now to be among other things, to prepare in consulting with Central and Provincial Governments and other appropriate agencies a national plan at periodic intervals for the economic and social development of the country; to coordinate the examination of development programmes in consultation with the appropriate authorities, and to secure the approval of the Central Government to acceptable programmes and projects.

Towards the closing stages of the First Five Year Plan, a new era dawned in Pakistan with the promulgation of martial law and the take-over by Ayub Khan. On June 24, 1959, it was announced that President Ayub had created in the President's Secretariat a Project Division charged with the implementation of development projects and measuring performance against promise.

The Division was to operate under the direction and supervision of the Economic Committee of the Cabinet (another new body to which reference will be made in the next section). The Division would maintain the closest collaboration with the Planning Commission and for this purpose the Head of the Division will attend the Commission meetings.

In discharging the following functions it would act in consultation with Central Ministries and Provincial Governments:

- i) To process the implementation of approved development projects, particularly aided projects;
- ii) To devise, obtain, collate and distribute to all concerned reports on the progress of projects and to prepare periodic digests of these reports for the information of the Government;
- iii) To measure performance against promise especially by comparing actual with estimated costs; and
- iv) To identify the causes of delay and difficulties, if any, in the implementation of projects and promote specific solutions.⁴⁸

⁴⁷ Asian Recorder, June 20-26, 1959, 2726.

⁴⁸ Asian Recorder, July 25-31, 1959, 2793.

Meanwhile the panel of Economists appointed by the Planning Commission in April 1959 to advise on the preparation of the Second Five Year Plan submitted its recommendations to the Commission on September 25.⁴⁹ Pakistan entered a new phase in administering planned growth, and to which we now turn in our analysis.

⁴⁹ Asian Recorder, October 17-23, 1959, 2949.

CHAPTER IV

THE PLANNING PROCESS IN PAKISTAN → WHAT IS BEING DONE

The Second Five-Year Plan: An Administrative Challenge

"The need for having a Second Five-Year Plan is patent. In spite of the fact that the rate of economic growth has been rather unsatisfactory and that the targets in the First Plan are not likely to be realised in time, the First Plan has increased national output considerably and given an industrial bias to the economy. This process has to be continued. There is need to maintain and increase the pace of economic growth ..."¹

The First Five-Year Plan experience provided a useful background for the Second Five Year Plan (July 1960 - June 1965) which was formulated by the Planning Commission (as the Planning Board was subsequently renamed) according to schedule. Harvard Advisory Group continued its assistance in the preparation of the Plan. A second plan was needed in order to make an effective use of the available resources in men, money and materials and to create new resources by expanding industrial and agricultural production. Pakistan had by now learnt that planning denotes organised national efforts at economic development.

The first question that confronted the framers of the Second Plan was to decide about the size. Should the rate of investment be maintained on the same level as the First Plan, or should there be a bigger and more ambitious plan? In deciding about the size of the Plan, two vital considerations were the prospects of getting adequate external finances and ability to mobilise saving and investment potentials within the country. Due considerations had also to be

¹A.H. Baloch, "The Second Five-Year Plan: Some Basic Problems" Part I Pakistan Review, Volume VII, No.10 (October 1959), p. 7.

given to the administrative requirements, for the general opinion was that whatever the shortcomings of the First Plan, with a better leadership than the one Pakistan had, the goals set could have been attained.² "The bewildering rapidity with which governments changed not only prevented ministers from being acquainted with their predecessors' policies, but severely strained the administrative services which could otherwise have provided the continuity necessary for planning. It is frankly admitted that the First Plan had to be cut down not because its proportions were too large, but because of delays in implementation."³

The economic objectives of Pakistan are long-range goals. These objectives were stated in the First Plan and restated in the Second. The nation aspires to a standard of living for all its people as high as can be achieved with the resources available to it; equitable distribution of wealth; education of all in accordance with their talents; victory over disease; adequate facilities for transport and communication; and evolution of the national culture. The Second Five-Year Plan may be said to have a single underlying purpose: to advance the country as far as possible within the five years ending June 1965, along the road of these long-range objectives.⁴

The First Plan was a comprehensive and coordinated attempt to harness human effort and physical resources to the maximum extent possible. As the Plan period drew to a close it became clear that "there was unmistakable progress in the evolution of planning machinery within the Government and in public recognition of the importance of planning and development."⁵ While various

² Ibid.

³ "Pakistan's Bootstraps" The Economist, Volume 188 (September 6, 1958), p. 766.

⁴ See Preface Outline of the Second Five Year Plan (1960-65) (Planning Commission, Government of Pakistan), January 1960.

⁵ Planning Commission, Government of Pakistan, Second Five Year Plan, June 1960, p. 1.

Central ministries and departments, The Provincial Governments and local authorities did not play satisfactory part in the preparation of the First Five Year Plan, much better cooperation was ensured in the preparation of the current plan. Since the present regime took over in October 1958, there has been a visible change in the outlook and conduct of business all round. This has gone a long way in removing the organisational and procedural drawbacks in planning. Considerable progress has been made in the formulation of schemes and projects, initiation and execution of plans, resource estimation and projecting, budget and plan coordination, exhibition of developmental items in the budgets in accordance with agreed concepts, and streamlining of sanctioning procedures.

The new regime in an impressive display of administrative ability reversed the most persistently dangerous trends. Although the process of reconstruction must necessarily be slow and arduous, "there is for the first time a government with the power and intention to do what the long term interests of the country clearly require to be done."⁶ Though incompetent governing has aggravated the malaise of Pakistan, the problems of the country are not altogether man-made and are soluble by unflinching efforts over a certain period of time.

Widespread revulsion at the incoherence and corruption of public life had led to the army's intervention. The first steps of the new regime were designed to restore popular confidence. General Ayub Khan kept the framework of civil administration, but put army officers in key positions in his Cabinet and provincial government. The issue of land reform was taken up quickly and its general shape decreed by January 1959. A special commission had the responsibility of seeing the reforms carried through within the year.

⁶ Enver Kureishi, "Pakistan Problems" Contemporary Review, Volume 196 (October 1959), p. 168.

Political consolidation provided a firmer base for the next phase of economic advance. For President Ayub and his ministers, good government is above all government which will increase national income by over a fifth before 1966. The First Plan failed in its chief aim - to increase national income by at least 15 percent.

During the First Plan, it also became clear that the public authorities concerned lacked the drive and efficiency needed for full success. In part, the problem - as in India - had sprung from the very qualities of the old Indian Civil Service of the British days. 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. Again as in India - they have an instinctive distaste for the ways of the business world and a conviction that the decisions they make are more likely to be in the national interest than those which are influenced by the 'random' outcome of market forces. And the Finance Ministry, more certain of its own judgments than those of any other department, insists on minute reference and audit.

The official's beliefs incline him toward an absolute priority for all projects in the public sector and a tendency, in allotting foreign exchange, to treat the private sector as residual. His distrust of the market is reinforced by a confusion of aims - the confusion between maximising wealth and maximising welfare. In a country of grinding poverty it would seem just and right that the necessities of the masses should be cheap. Yet price controls (which were clamped down when the regime took over) have the effect of increasing consumption and decreasing, or at least discouraging greater production, thus aggravating the shortages. The desire to secure cheap consumption cut across the fundamental aims of rapid economic expansion.

However, there was a general resolve to simplify and revitalise procedures beginning early 1959. Financial control has

been decentralised; a special Projects Division in the Cabinet Secretariat follows the progress of agreed plans and decisions; and the small, efficient Planning Commission has been strengthened by seconding it to the best possible professional staff. Special agencies have been set up to carry out particularly urgent tasks.

But the change which observers thought did most to lessen the administrative load was the decision to leave the bulk of development on the industrial field in the hands of private enterprise, and accept the guidance of the market. Thus the government has little to worry about the capacity of business to fulfil its share of the Plan. The new plan was, as such, expected to begin under signs of administrative relaxation. This should free the authorities to pursue urgent tasks elsewhere.

In Pakistan, as in virtually every other developing economy, no plan can succeed unless momentum can be achieved in agriculture. Over four-fifths of the labour force is engaged in agriculture in a land with primitive and unscientific farming methods. Over the years the growth in agricultural production has been extremely low and its share in national income declined. According to one report, during the post-Korean War period, food production increased by one percent on the Average while total agricultural production slightly less than one percent.⁷ This compares very unfavourably with the estimate of a required growth of 5 - 10 percent annually in agricultural production.⁸ The prime importance of food production was recognised by the Planning Board's report, and the late Zahid Husain (onetime Chairman of the Board) bluntly stated "that the answer lies in facing the agrarian problem."⁹

Though natural factors are largely to blame for this stagnation, planning and administration have played their part. The

⁷ United Nations, Economic Survey of Asia and the Far East - 1956, p . 148.

⁸ Report of the Pakistan Agricultural Inquiry Committee (directed by the Rt.Honourable Lloyd Boyd Orr), Karachi, 1952.

⁹ Herbert Feldman, "Problems and Prospects in Pakistan" Contemporary Review, Volume 193 (February 1958), p. 70.

parts of the government dealing with transport and industry had more competent and aggressive leadership than the Ministry of Agriculture. With this question of competent manpower, we reach a crucial weakness in virtually every administration in the developing world. Agriculture was the Cinderella of the old colonial system. Pay, prospects and prestige did not match the opportunities in other branches of the public service. As a result, it failed to develop a forceful, competent cadre of officials. Yet in agriculture, good administration is a precondition in advance. Well-trained advisers are needed to teach the peasant improved methods; and a reliable supply line for material to the farmer.

Neither condition has existed in Pakistan. In the East Wing, the lowliest agricultural officer, the "union assistant" has to cover ten villages; 1500 farming families. He has no office no transport. In the West the field assistant has upto 15,000 farmers under him. No wonder agriculture has been the Achilles heel of Pakistan's economy. This is the background under which the new plan was shaped¹⁰ - a background which led an observer to remark, "Pakistan in 1959 is a nation struggling to overcome the aftermath of eleven years of economic chaos and political floundering. The problems are extensive and very grave, and only a rash analyst will dare to predict her future."¹¹ However, there is hope as "under the brisk reforming broom of Ayub's military regime, corrupt officials are being swept out of office in droves."¹²

The plan to combat such great bottlenecks in the jeopardised economy was published in June 1960. It envisaged a development expenditure of Rupees 19,000 million and was approved by the Economic Council on June 21, 1960. Following a more intensive

¹⁰ See "Pakistan" The Economist (December 2, 1961), pp.931-935.

¹¹ John E. Owen, "The Plight of Pakistan" Contemporary Review, Volume 195 (May 1959), p. 291.

¹² Time (July 20, 1959), p. 23.

review of certain Plan targets and costs, the Planning Commission in April 1961, announced an upward revision of the financial requirements to Rupees 23, 000; an increase of 21 percent over the original cost. The Economic Council accorded its general approval to the revised plan on June 19, 1961, and stated that the revised figures of the financial size of Rupees 23, 000 million will be regarded as firm and final.

Winding up the proceedings of the Council, President Ayub said that bureaucratic delays and red tape were impeding the progress of the country. He called upon civil servants to gear themselves for the pace required. The services must help and assist commerce and industry, he declared, in every way to establish themselves and to go forward. Meanwhile in a joint note, the East Pakistan Chamber of Commerce and Industry, and various trade organisations blamed government policies for the growing disparity in the rate of economic development in the two wings.¹³

Earlier, the President while inaugurating a seven day Economic Conference on the Second Plan in Rawalpindi, said that though generous assistance is forthcoming "our goals must of necessity be modest and all allocations subject to the rigorous system of priorities to prevent valuable resources from being frittered away."¹⁴

The revised estimates for the Second Plan were explained due to increases in external and internal prices since 1959; underestimation of costs of several projects in the original Plan, as revealed by the engineering reports and surveys; and some expansion of the physical size of the Plan as a result of a better estimation of requirements in certain sectors of the economy.

Of the increased cost, 31 percent was explained by under-provision of physical inputs, 43 percent by price increase and 26 percent by increase in physical targets. Thus it results mainly

¹³Asian Recorder (July 23-29, 1961), 4075

¹⁴Asian Recorder (May 21-27, 1961), 3964

from re-costing of the original plan rather than a significant expansion of its physical size.¹⁵

Of the Rupees 23,000 million, Rupees 12,400 million are to be spent in the public sector; Rupees 3,800 in the semi-public sector, and Rupees 680 million in the private sector. The table below shows the allocation of expenditure under the Second Five-Year Plan:-

Sector	Allocation (Million Rs.)	Percentage of total allocation
Agriculture	3420	14.9
Water and Power	4390	19.1
Industry	5120	22.3
Fuel and Minerals	1000	4.3
Transport & Communications	4050	17.6
Housing and Settlement	3410	14.8
Education and Training	1050	4.6
Health	420	1.8
Social Services	100	0.4
Manpower and Equipment	35	0.2
Total	23,000	100.0

Source: Government of Pakistan: "Economic Survey"-1961-62, p. 162

<u>Sources and uses of Resources for Development</u> ¹⁶			
Source	(Million Rs.)	Uses	(Million Rs.)
Domestic Savings	12,050	Public Sector	12,401
Foreign Aid, Loans and Investments	10,950	Semi-Public Sector or (Public Corporations)	3794
		Private Sector	6805
Total	23,000		23,000

¹⁵ Ministry of Finance, Government of Pakistan, Economic Survey 1961-62, p. 161.

¹⁶ Government of Pakistan, Highlights of Pakistan's Second Five-Year Plan, 1960-65, p. 13

For an underdeveloped country like Pakistan, fulfilling the requirements of the Plan is indeed a staggering task. Assuming that friendly countries will be able to provide the foreign exchange component of the Plan required, the internal share will demand the fullest mobilisation of the country's resources. M. Shoaib, the Finance Minister gave fair warning that economic miracles donot happen overnight and to achieve that target the country needs to adopt every possible austerity measure.¹⁷ The Plan envisaged an increase of 20 percent in the national income after full implementation. Considering the country's economic condition the target is modest for with a 9 percent increase in population during the period, the per capita increase would mean just 10 percent. Yet, to achieve this modest increase the Plan requires a huge investment.¹⁸

During the first two years of the Plan the national income at constant (1959/60) prices increased by about 11 percent which indicates that the Plan's objective could be realised. National income per capita rose by 3.7 percent in 1960/61 and 3 percent in 1961/62. Large scale industrial production increased by 2.3 percent during the first two years as against the Plan objective of 60 percent for the five years. A move towards self-sufficiency was one of the major aims of the Plan. A projected increase of 21 percent was envisaged by 1965; the actual increase in the first two years was about 20 percent but favourable circumstances have helped. This has been evidenced by a writer when he remarked in 1962:

"Pakistan's economy has made striking progress since the inception of the Ayub regime but indications that trouble may lie ahead have recently appeared...Original economic improvement can be attributed to governmental policies but partly also to favourable circumstances."¹⁹

¹⁷"Pakistan - A Formidable Plan" The Round Table, Volume 60 (March 1960), p. 197.

¹⁸Ibid.

¹⁹Richard Kaufman, "Problem's in Pakistan's Prosperity" Pacific Affairs, Volume 35, No.1 (Spring 1962), p. 59.

Planning in Pakistan follows a pragmatic approach. It is providing only guidelines in the private sector. The Government itself explained its position that "no doctrinaire assumptions underline the Plan, and neither an exclusively capitalist nor an exclusively socialist economy is postulated. Maximum encouragement is given to private enterprise and state intervention in industrialisation is resorted to only when private enterprise is found unable or unwilling to develop certain important industries."²⁰ However, in the public sector, targets are set and their achievement is controlled. Diversification in domestic output and export potential through industrialisation has consistently been the major objective of planning. Technological advance has been an important factor in raising the national income. In view of the high rate of population growth, maximising the rate of economic growth is one of the cornerstones of development policy.

Through the institution of Basic Democracies, the participation of the general public is assured at all levels both in rural and urban areas. The reorganised Federation of Pakistan Chambers of Commerce and Industries and other trade and industrial organisations have assumed greater responsibility in offering advice to the Government in administering the Plan.

In recent years a number of commissions have been set up such as the Land Reforms Commission, Commission on National Education, Food and Agricultural Commission, Taxation Enquiry Committee, Administrative Re-organisation Committee, and Finance Commission. On the basis of their recommendations, the desirable institutional changes have been brought about as aid to economic growth.

While there is no active policy for controlling the growth of population, provision has been made in the Plan for explaining and encouraging family planning. The Plan is not a legal directive. However, in respect of the public sector, the final

²⁰ Planning Commission, Government of Pakistan, Reply to the Questionnaire of the U.N. Group of Experts on Planning of Economic Development of September 7, 1962, p. 3.

approval of development projects by the National Economic Council is given after the proposals have been agreed upon between the Government Departments and the Planning Commission. The formulation of Annual Development Programmes within the Five-Year Plan and the preparation of Annual Evaluation Reports give ample opportunity to instigate into the causes for non-fulfilment or delay of agreed projects. The private sector is free to take up all the opportunities of development shown in the Plan. The Government Departments and specialised agencies are expected to provide all the necessary assistance to the private sector.

No comprehensive field survey has been taken of all the available resources - human and material, though particular surveys like the Geological Survey are being conducted continuously. Economic and social surveys, and studies have been brought to a stage where an analysis of national accounts could be undertaken. The relative position of the various sectors is examined and the underlying structural changes in the economy are thus revealed. This is undertaken on a national basis at the Planning Commission and the State Bank of Pakistan. Appropriate studies are made at various government levels and other institutions as guide to policy decisions.

An appraisal of progress and problems under the Plan was previously done by the Planning Commission and the Projects Division (re-named as Progressing Wing) has been amalgamated with the Planning Commission. Under the new Constitution (July 1962), the Progressing Wing has been replaced by an Evaluation Section in the Planning Commission, which is now responsible for the progressing of Centrally administered projects. The Provincial Governments are responsible for the progressing of projects administered by them. A preliminary Evaluation Report on the First Plan has been prepared by the Planning Commission. It has also prepared an Evaluation Report for 1960/61 and a Mid-Plan Review of the Second Five-Year Plan. The publication of quarterly report on development projects showing the progress of approved schemes, provides

a basis for follow-up of the Plan.

Irrigation, flood control, power, transport and communications are given prominence in the developmental strategy. Public expenditure on economic infrastructure forms 47 percent of the Second Plan, on social investment 23 percent and on directly productive investment 30 percent. ~~To determine~~ priorities for the allocation of available resources the main objective is to attain the planned increase in national income. Attainment of self-sufficiency in food is another important consideration in the allocation of resources between the major sectors. It is now strongly felt that in the public sector, domestic savings and foreign aid are now adequate to finance the planned rate of economic growth. Specialised agencies like the Pakistan Industrial Credit and Investment Corporation and the Industrial Bank of Pakistan, provide large amounts of capital in loans to private enterprise.

Within the framework of general economic and social goals set in the Plan, the achievement of sectoral targets and consistency is ensured through the working of Advisory Panels, Development Working Parties, the Foreign Exchange Committee, and the Industrial Investment Schedule meant for private enterprise. The National Economic Council which gives final approval to schemes is required to submit a report to the National Assembly (Parliament) on the achievement of the objectives inherent in the National Plan. The Development Working Parties at the Centre and Provinces examine all development schemes and prepare a coordinated and consistent Annual Programme. The National Economic Council as well as the National Assembly could bring about changes in the Plan as and when they deem fit.

Representatives from various walks of life are closely associated during the formulation of the plans. For example, both the First and the Second Plans were formulated with the aid of Advisory Panels for agriculture, commerce and industries, water and power, and all other major sectors. These panels were made

up of officials of the Planning Commission, Government and semi-Government agencies and representatives of the Chambers of Commerce and Industries, and Universities. The Government publishes from time to time an Industrial Investment Schedule setting out the channels and targets of investment in the private sector, for the guidance of investors.

For a proper allocation of foreign exchange to various sectors, the Foreign Exchange Committee consisting of representatives from the Central Ministries of Commerce and Finance and the State Bank keep under constant review the foreign exchange budget of the country.

Prior to the formulation of the Plan, a number of special studies are undertaken in the Planning Commission. These studies help formulate the overall strategy of the Plan. Such a series of studies is in full swing for the Third Five-Year Plan which is expected to be published in final form soon.

Thus, Pakistan took up the challenge offered by the Second Five-Year Plan. It is not the intention here to judge what success has been achieved. But it can be safely said that the new regime marks a turning point in the nation's road to economic progress and stability. By restoring confidence, order and a favourable climate for development to an economy which was crippled by mounting corruption, inefficiency and financial crisis, the administration must be credited with substantial accomplishment. Stage has been set for an accelerated economic development at a reasonable cost and strong leadership which appear to be the most essential prerequisites for steady economic growth in contemporary Pakistan.²¹ Evidence of administrative feasibility for planned growth is apparent in the following words of a Pakistani official:-

"We believe in a pragmatic, common sense approach to economic problems. We donot want a state controlling all aspects of our daily life. In our economic development we are giving maximum

²¹A.M. Haq, "Pakistan's Economic Development" Pacific Affairs, Volume 32, No. 2 (June 1959), p. 161.

encouragement to private enterprise, realising that the Government has already plenty to do in providing the education and other essential services which the private sector cannot provide and needs for its success.

.... We are paying special attention to the task of equipping and organising our government to carry out its development responsibilities effectively. We have developed a number of autonomous agencies to develop our water and power resources. We are overhauling our governmental administration and procedures We are prepared to use unorthodox methods if required to get things done."²²

²²"Economic Trends in Pakistan - Putting our House in Order", a lecture delivered by M. Shoaib, Finance Minister of Pakistan at the National Press Club, Washington D.C. March 2, 1960 Vital Speeches, Volume 26 (May 1, 1960), pp.432-433.

Planning Organisation To
Administer Development

"Planning organisations have been established and working in most of the underdeveloped countries for more than a decade. In view of the difficulties faced by the countries adhering to democratic traditions and free enterprise we should identify the position leading to the most efficient and effective use of planning organisations in the light of the accumulated experience."²³

Planning in underdeveloped countries involves direction of economic activities into desired channels in a continuous manner. In this process, planning organisations in democratic countries, are confronted with far more limitations than in the totalitarian states. While the desire for speedy results and progress call for radical steps to ameliorate the economic conditions of the people, the need for peaceful and harmonious adjustments in the social, political and economic spheres would emphasise caution in the adoption of any drastic measures. Ragnar Frisch described this as the "antagonistic objectives of the peacefulness and speed. A streamlined rational methodology for the planning work must be developed, one that utilises deep ploughing scientific procedures not only for the gathering of technical and statistical data but also for selecting the optimum way in which to combine the various kinds of development."²⁴

In spite of considerable progress in Pakistan, there still remain certain problems in planning, implementation and evaluation. These problems arise mainly because the existing Central, Provincial and local authorities are not yet adequately oriented towards planning for economic development.²⁵ The planning, execution and evaluation functions must be tied at each governmental level to the

²³ Aftab Ahmad Khan, The Role of Planning Organisation in the Governmental Structure of Pakistan (Planning Commission, Government of Pakistan, 1962), p. 1.

²⁴ Memorandum "Generalities in Planning" - dated February 26th, 1957, by Ragnar Frisch, Oslo University, quoted in Ibid, p.1.

²⁵ Aftab Ahmad Khan, op.cit. p. 1.

planning machinery in a coordinated manner. This has been thoroughly stressed in the Second Five-Year Plan in the following words:-

"Ultimate responsibility both for the initiation and execution of plans must rest with the various Ministries, Departments and other units of line administration to which programme responsibilities are assigned. The coordinating and supervising organisation and staff bodies at best can stimulate and appraise, but nothing can be accomplished unless the administrative agencies of the Government are able to perform the tasks of programming and execution. Planning and implementation are complementary facets of the responsibility of all units of the government machine."²⁵

Many weak spots in administration noted in the First Plan have been dealt with; in particular, important administrative reforms were effected during the period 1958-60. Public administration is therefore materially stronger for availability in implementing the Second Plan than it was at the beginning of the First Plan. The much enlarged programme could not have been presented with any degree of confidence had not important administrative improvements taken place, and suitable climate created for further strengthening of the structure and operations of the Government. The location of responsibility for making and executing plans is of prime importance. The coordinating and supervising organisations and staff bodies need concrete help to perform assigned tasks.²⁶

The evolution of planning in Pakistan has now reached a satisfactory stage, and since 1959, there has been an unmistakable progress in the evolution of planning machinery within the Government and conscious participation of the people in developmental efforts. Planning in Pakistan is a national process and highly centralised. Under the new Constitution, the overall responsibility for national economic planning and economic coordination is placed on the Central Government.²⁷ The Central Government, therefore is concerned with all the fields which have an important bearing on the social and economic development of the country even though they may fall within the purview of the provinces. The Central Government

²⁵ Government of Pakistan, Second Five-Year Plan, p. 106

²⁶ Ibid.

²⁷ Article 131(2) of the Constitution of the Republic of Pakistan (Karachi: Government of Pakistan Press, 1962)

has also to deal with international aspects of economic development including negotiations with foreign countries and foreign aid giving agencies.

The National Economic Council is the supreme decision making body on economic policies and programming. The Council was the result of decisions to reorganise the planning and developmental machinery announced in Karachi on May 21, 1959.²⁸

The Council is headed by the President of the Republic, and consists of the Governors of the Provinces, the Ministers of the principal development Ministries, the Chairmen of the Pakistan Industrial Development Corporation (dissolved on June 4, 1962 and succeeded by two Industrial Development Corporations, one for East and the other for West Pakistan²⁹), and East and West Water and Power Development Authorities, and Chairman of the Planning Commission (which provides the Secretariat). Main functions of the Council are:-

(i) To review the overall economic position of the country and formulate economic policies.

(ii) To approve the five-year plans and the annual development programmes.

(iii) To sanction development schemes.

(iv) To review the progress made in implementation of plans and programmes mentioned above, and to ensure that balanced economic development of all parts of the country is achieved.

The Council is also responsible for ensuring that disparities in per capita income between the Provinces and different areas within the province are removed, and that the resources of Pakistan (including foreign exchange) are used and allocated in such a manner as to achieve that object in the shortest possible time.

²⁸ Asian Recorder (June 20-26, 1959), 2726.

²⁹ Asian Recorder (July 16-22, 1962), 4690.

For current decisions and actions below the level of the Economic Council, The Economic Committee of the Cabinet performs the following functions:-

(i) To supervise the implementation of the economic policies laid down by the Cabinet and the Economic Council.

(ii) To make day-to-day decisions on economic problems; and

(iii) To sanction development schemes pending their submission to the Economic Council.

The Committee functions under the chairmanship of the Minister of Finance; its members are those Ministers having principal responsibilities in economic problems and development programmes, and the Chairman of the Planning Commission.

To help facilitate the work of the Committee, the President set up on May 1, 1962 The Executive Committee of the Economic Council, headed by the Central Finance Minister to sanction development schemes.³⁰ It consists of the two Provincial Governors or Ministers nominated by them; Deputy Chairman Planning Commission; and the Finance Ministers of the two Provinces. The Executive Committee holds meetings twice a month, once every quarter these meetings should take place at Lahore and Dacca. Any three members can form the quorum.

Economic Policy Coordination Committee is responsible for coordination of the economic policy of the Central Government as distinct from its financial and monetary policy which are the responsibility of the Ministry of Finance. This Committee keeps the current economic situation under constant review and deals with everyday economic problems. It also watches the implementation of the economic policy laid down by the Cabinet and the Economic Council. It is headed by the Deputy Chairman of the Planning Commission.

³⁰ Asian Recorder (July 2-8, 1962), 4667.

The Planning Commission is the central planning agency of the country responsible for the formulation of a plan for economic development under Article 145(3) of the new Constitution. The functions of the Commission are:-

(i) In consultation with the Central and Provincial Governments and other appropriate agencies:

- a. To prepare a national plan at periodic intervals for the economic and social development of the country;
- b. to make assessments from time to time of the human and material resources of the country;
- c. to prepare the annual development programme within the framework of the national plan and on a determination of priorities, to propose the allocation of resources.

(ii) To stimulate and where necessary initiate the preparation of development programmes and projections; to examine and advise on all such programmes and projects with a view to deciding whether these conform to national objectives and, in general, whether they contemplate the most efficient use of national resources.

(iii) To recommend such adjustments in the national plan as may be necessary in view of the changing economic situation.

(iv) To coordinate the examination of development programme and projects in consultation with the appropriate authorities and to secure the approval of the Central Government to acceptable programmes and projects.

(v) To advise on the nature of the machinery for securing the efficient execution of the national plan.

(vi) To watch and evaluate the progress of implementation of the development programme.

(vii) To advise on important economic policies and problems in various fields.

(viii) To undertake and promote economic research, and to initiate surveys and investigations needed to support effective planning and development.

(ix) To examine such specific problems as may be referred to it by the Government.

The Planning Commission consists of the President as the Chairman and Minister-in-Charge, the Deputy Chairman (with ex-officio status of a Minister without Cabinet rank), one Member from each of the two provinces, and the Secretary to Government in administrative charge of the Planning Commission. The Commission holds meetings periodically at Lahore and Dacca though it is located at the capital where it usually meets.

Deputy Chairman is the de facto head of the Commission. He performs his functions through the two Members, the Secretary and the Chief Economist. The two Members of the Commission take care of nine Technical sections. Member I looks after the Agriculture Section, and Industries and Commerce Section. Member II takes care of Water and Power, Transport and Communications, Housing and Settlements, Education and Training, Health, Social welfare, Manpower and Employment. The Administration, Coordination, and Development Authorisation Sections are placed under the Secretary to the Government (Planning).

The Chief Economist is responsible for the coordination of work pertaining to five Economic Sections, namely, General Economic Section, Fiscal and Monetary, International Trade, Economic Research, and Evaluation Section.

Each Section consists of a Chief, one or two Deputy Chiefs, several Assistant Chiefs, Research Officers and Economic Investigators. Total staff of the Planning Commission is around 445 of which about 130 belong to professional staff. Ever since its beginning the Commission has enjoyed the service and experience of the Harvard University Advisory Group financed by the Ford Foundation.

Relationship With Other Agencies:

The Chairman of the Planning Commission is also the President of the National Economic Council. Since August 1961, the existing Projects Division in the President's Secretariat which was responsible for coordination between planning and implementation has been amalgamated with the Planning Commission. Thus, sponsoring and

executive authorities of developmental projects at the Centre and in the Provinces would submit their projects and evaluation reports to the Commission and would be guided by the policies adopted and advice given by the Commission.

The Commission is not directly responsible or accountable to the Legislature. There are no direct contacts between the Commission and non-governmental organisations and enterprises. The general public and the press are invited to offer their criticism and comments of Draft Plans when published, which are taken into account at the time of the finalisation of the Plan or its subsequent revision. Similarly, annual evaluation reports are made available to general public for information and criticism.

The Planning Commission utilises the findings through research of institutions like the Board of Economic Enquiry in Lahore and Peshawar, the Institute of Development Economics at Karachi, and the Socio-Economic Research Centres established in the Universities of the Punjab, Dacca and Rajshahi. Research studies are also undertaken by these institutions at the request of the Commission, Research units in various government agencies are also drawn by the Planning Commission in its programme of studies.

The National Statistical Council is the supreme body coordinating the country's statistical system and is guided by the Planning Commission as to the statistical priorities corresponding to the needs of planning. The Central Statistical Office of Government of Pakistan and the Statistics Department of the State Bank are the two major collecting and compiling agents for statistics on a national basis. The Planning Commission depends entirely on these sources for its statistical requirements not only for framing the plan but also for advising the Government on policy decisions relating to current economic problems. The Commission, however, has no direct means to countercheck the basic data made available to it. The Economic Research Section of the Commission scrutinises all major statistical series. Budgetary data is provided directly by the respective governments.

Project Formulation and Evaluation is undertaken in five stages. The sponsoring agency will submit to the Commission P.C. forms 1 to 5 as indicated below:-

Form P.C.1 - Specific Development Projects: Detailed information is given on location, cost, period of construction, manpower and other materials required, and financing of the project.

Form P.C.2 - Survey of Projects: Available information on the scheme to assist special surveys to be undertaken, economic advantages of each and the like, case for the need to appoint a firm of consultants.

Form P.C.3 - Progress Reports: Details on revised estimates of expenditure, actual expenditure, signing of contracts, machinery, training of staff and so on.

Form P.C.4 - Completion Reports: Final cost estimate and reasons for change in the original estimate, difficulties and delays experienced and suggestions for the future.

Form P.C.5 - Annual Review of Completed Projects: Recurring expenditure, financial results, availability of personnel etc.

The sanctioning machinery of the Government ensures that the Development Programme fits into and carries forward the general policy and pattern of development contained in the Five-Year Plan. Economic and technical feasibility is also examined.

Both at the Center and the Provinces a detailed procedure for preparation and submission of development schemes has been laid down. At the Provincial level, all schemes are submitted by the sponsoring authority simultaneously to the administrative department concerned, the Finance Department and the Planning and Development Department. It is the responsibility of the Provincial Planning and Development Department to obtain the Provincial Government's approval to the schemes and where Central approval is necessary to forward the schemes. If the cost of the project is less than

Rupees 5 million the Provinces are competent to give their approval. All other schemes have to be processed through the Development Working Parties and subsequently approved by the National Economic Council. In the case of Central schemes, if the total cost is less than Rupees 2.5 million, it can be cleared by the Ministry concerned, in consultation with the Finance Ministry. Schemes above this amount need clearance through the Central Development Working Party. Work on execution of the approved schemes starts after their inclusion in the Annual Development Programme.

Besides the quarterly reports on the progress of development projects, a full report after the completion of each scheme is prepared and then examined to estimate how far it has conformed to the lines originally laid down. Until recently the Progressing Wing of the President's Secretariat was supervising the implementation of projects. In 1962, the Wing was liquidated and an Evaluation Section established in its place. It has also been decided to decentralise the progressing machinery by creating an evaluation unit in each Province for watching the progress of individual projects and evaluating the provincial programme.

This seems to be a wise move to remove administrative bottlenecks as the Standing Committee on the Reorganisation of Functions and Structure of the Central Government noted that "it had not been possible for the Progressing Wing to achieve results on the implementation side because of certain inherent difficulties in the situation itself arising from possible resentment on the part of the operating agencies against outside interference, In so far as the evaluation work was concerned, there too a good deal had yet to be achieved." (p. 7)

The planning machinery in East Pakistan consists of a Planning Board, with the Chief Minister as Chairman, and a Planning Department headed by a Development Commissioner who serves as a member of the Planning Board. The Board is primarily responsible for resource assessment, the fixing of priorities, and the

formulation of coordinated plans within the framework of the National Plan. The Planning Department facilitates programme implementation.

West Pakistan has a Development Committee, consisting of secretaries of provincial departments, and a Development Council composed of the Ministers representing the Provincial Government on the National Economic Council. This latter body is the scheme sanctioning body.

Both Wings have thus planning and development departments responsible for stimulating and coordinating schemes and preparing provincial programmes for inclusion in Annual National Development Plans. Although the basic machinery seems to be established for effective planning and implementation, most of the Ministries and departments are still without effective planning cells. As a result, the planning process in government still flows mostly from top to bottom rather than in the reverse which would be the most desirable position. Although the existing government orders visualise a planning cell in each Ministry composed of one professionally qualified economist, and two or more technically trained officers, very little progress has been made in this direction. The Standing Reorganisation Committee felt that in case of such ministries or divisions as would be dealing with subjects wholly Provincial in nature, there should be no need for providing a planning machinery as the Central Ministries and Divisions would be responsible only for a broad examination of the schemes in the national perspective. In the case of Central projects, the planning cells should be lodged in the technical departments themselves which are primarily and essentially responsible for planning in their own sectors. The Ministries responsible for projects concerning more than one sector of development, may have a coordinating cell, if necessary, for the purpose of integrating and coordinating plans of various sectors from a broader angle of national development but not for purposes of technical scrutiny.

The need for having properly organised planning cells at 'grass roots' level in both the Central and Provincial Governments is obvious and is recognised on all sides although progress towards its realisation is still far from satisfactory.

Indeed, in general, it can be said that the Planning Commission as the Government's central agency has gone a long way in giving the country a proper organisation for development. It is required to analyse and make recommendations concerning the important matters of economic policy without attempting to take over the responsibilities of the Government. It is its duty to consult other Ministries; similarly, concerned Ministries consult the Commission when framing economic programmes, Economic advice is also made available to Provinces, local authorities and Public Corporations whenever required. This is a satisfactory position for the Planning Commission from the point of view of effectiveness. The Indian experience confirms this opinion. The relation of the Planning Commission with provinces and ministries should be that of an expert body engaged in bringing out the implications of total policy in relation to the activities of particular organisation or authorities rather than an authority engaged in bargaining with, or bullying, or being bullied by another government organisation.³¹ The Planning Commission in such a position can prove of considerable use in persuading the provincial governments to rationalise sources for development on their own account, to exercise moderation in their continuous demands on the center, and to observe criteria in maintaining priorities and plan discipline.

Appraisal:

Until recently, on the basis of reports received by the Progressing Wing from all the sponsoring and executing agencies of the Government, a quarterly report on the progress of development

³¹D.R. Gadgil, Planning and Economic Policy in India (Poona: Gokhale Institute of Politics and Economy, 1961).

projects was printed. This has been followed by the Annual Evaluation Report. In addition a Mid-Plan Review has been prepared which can serve as a useful document for the Central Ministries, Provincial Governments and private enterprise to view the Second Plan in its proper perspective. As the Progressing Wing has been liquidated, the responsibility of publishing reports has been divided between the Provincial Planning Departments and the Evaluation Section of the Planning Commission.

Once the Annual Development Programme is approved and incorporated in the Central and Provincial budgets, implementation becomes a responsibility of the sponsoring authorities. The sanctioning body, namely, the Ministry of Finance will ensure that funds are spent as originally envisaged, "There is, however, no agency responsible for the overall supervision of the implementation of all agreed projects, to locate bottlenecks, and coordinate action for their removal so that the internal consistency of the plan is not duly disturbed."³²

The Government is conscious of the need for proper administrative organisation to carry out the huge task it has undertaken. For greater efficiency and speedy work various Ministries and Departments have been reorganised and stream-lined on more conducive administrative lines. An agency called 'Efficiency and Organisation and Method Wing' has been set up for implementing this policy. Various surveys are being planned for the Third Plan which is now almost in final shape. The planning process is continuous, from the publication of the plan to the evaluation of sanctioned schemes. And Pakistan is busy organising its development. Country wide reorganisation as recommended by the Administrative Reorganisation Committee came into effect as of July 1, 1962. More autonomy for Provinces is envisaged and Railways, Pakistan Industrial Development Corporation, and all big projects pertaining to health, education, food, agriculture and labour have been

³²Planning Commission, Government of Pakistan, Reply to U.N. Questionnaire on Planning in Pakistan, p. 32.

transferred.³³ On April 3, 1963, the President appointed a six-man National Income Commission to study problems of national statistics and allied measures. The Commission includes experts of the Planning Commission.³⁴ Despite all these efforts the Barclay's Report conducted by the Intelligence Department of Barclay's Bank Limited (London) said in December 1962, "although considerable progress has been made both in economic affairs and administrative arrangements the economy is basically weak."³⁵

But considering the various factors - natural, geographical, and financial the country is said to be on the road to administrative maturity and economic advance. There is no doubt that administrative organisation has been in the right direction as a quote by a famous authority evidently stresses;-

"When we were moving towards the transfer of power, we in Britain took it for granted that the only possible form of government was that kind of parliamentary democracy which has grown up here. Now we find that the assumptions on which we had built all our policy with regard to these countries (like Pakistan) have been thrown overboard. This comes as a shock and there is danger that the shock will make us ignore the possibility that the changes may have been necessary and even have been a good thing."³⁶

³³ Asian Recorder (September 3-9, 1962), 4766.

³⁴ Asian Recorder (May 28- June 3, 1963), 5225.

³⁵ Asian Recorder (January 29-February 4, 1963), 5022.

³⁶ Sir Percival Griffiths, "Pakistan Today" International Affairs, Volume 35 (July, 1959), p. 316.

Basic Democracies : Grass-Roots of
Developmental Administration

"We firmly believe that development is not something which a government hands down to a people. Development can come only by mobilising the energies and enlisting the participation of all people. For this purpose we want to encourage the growth of what could be called 'Grassroots Democracy'through which it is hoped to awaken the people to a greater sense of civil responsibility, to a realisation that they can accomplish a lot by doing things for themselves."³⁷

In a predominantly agricultural country like Pakistan, the village which is more or less a self-contained economic unit plays a very important part. This fact was recognised by all governments right from the Moghal emperors down to the British. Whatever might have been the actual pattern of government, the indigenous village communities, controlled by local councils, represented a form of local self-government. On the disintegration of the Moghal Empire, these institutions ceased to function as the entire system of administration was thrown completely out of gear by the ensuing chaos.³⁸

With a low rate of literacy and with the still undeveloped means of communication the rural areas constituting the overwhelming majority of the population were unable to get themselves in constant touch with the developments and problems of the country. As such it was not possible for them to comprehend the vast role expected of them in the task of nation building and planned development. The Government realised that with such different conditions than prevalent in Western countries, the type of parliamentary democracy as practiced in England could have no success. As after 1958, Pakistan entered a new period of administrative, political and economic reform, a period which President Ayub has called

³⁷ M. Shoaib, "Economic Trends in Pakistan" Vital Speeches Volume 26 (May 1, 1960), p. 432

³⁸ A.S. Bazmee Ansari, "Evolution of Basic Democracy" Pakistan Review, Volume VII, No.2 (December 1959) p. 21

"a period of reconstruction"³⁹, it was decided to acquaint the villagers with national development plans. This task of national reconstruction can be fulfilled "when the people understand the broad national objectives and give their active cooperation in creating conditions conducive to the healthy growth of social consciousness."⁴⁰

Prior to the evolution of Basic Democracies, the major instrument for the uplift of rural areas and masses was the Village Agricultural and Industrial Development Programme more popularly called Village-AID. Under the First Five-Year Plan, the pride of place in the agricultural programme was given to Village-AID which was described as the "means for bringing better living standards and a new spirit of hope and confidence to the villagers."⁴¹ Elsewhere it was described as "the major instrument ... for increasing the production from agricultural and village industries, and thereby increasing the incomes of rural peoples .. It will not only bring them rapid and steady economic and social improvement but also show them how to organise together in co-operatives and other local democratic institutions which can provide the basis for a greater strengthening of the country's political life."⁴² All this was to be done mainly through the initiative and energy of village people themselves, cooperating and pooling their own resources. The Government provided the assistance of village workers under the leadership of development officers, who helped the villagers to make plans for local development.

Some rural areas called development areas, were selected for intensive development. Each area had 150-200 villages with a

³⁹Government of Pakistan, The New Regime.

⁴⁰Government of Pakistan, The Forward March: One Year of Revolution, p. 22.

⁴¹Planning Board, Government of Pakistan, First Five-Year Plan (Draft), Volume I, p. 10.

⁴²Ibid, pp. 21-22.

development officer incharge of running the assigned area. The village worker trained to help the villagers find ways to solve their own problems, and directed and guided by the development officer provided key assistance and advice. However, Village-AID required prompt and efficient assistance from government departments, and as most of the departments were seen to lack the equipment needed to furnish the required assistance, the Government decided to administratively integrate and functionally implant the programme with the Basic Democracies.

Under the system of Basic Democracies, Union Councils work at the level of neighbourhood villages providing the base for other tiers, namely Tehsil/Thana Councils, District Councils and Divisional Councils. The fundamental task of the various Union Councils is to participate in the implementation of development schemes in every nook and corner of the country.

Each Commissioner's Division has been given a full-time Director for Village-AID and Local Government; each District a Deputy Director; each sub-division (in East Pakistan) an Assistant Director, and each Tehsil/Thana a Development Officer.

The Village-AID Development areas are made co-extensive with the Tehsils and Thanas in order to facilitate the working of the Basic Democracies Councils. The Directors, Deputy Directors and Development Officers also function as Advisors on Development of the respective Basic Democracy Councils.

The Village-AID programme is now termed as the National Development Programme, and is a coordinated effort of the Central and Provincial Governments to solve the multifarious problems of 85 percent of the people of Pakistan living in the villages on whom depends to a large extent the foundation of her economy. It has changed the old concept of imposing, from the top, unrealistic programmes of village reconstruction. The specific objectives of

the Programme are:-⁴³

(a) To raise rapidly the production output and real income of the villagers.

(b) To multiply community services available in the rural areas.

(c) To create a spirit of self-help, initiative, leadership and cooperation among the villagers.

(d) To coordinate the working of different departments of the Government and to extend their activities into the villages by providing an extension service.

(e) To give a welfare bias to the Government's entire administrative structure.

(f) To create conditions for a richer and higher life through social activities.

For the achievement of these objectives the primary need of the programme was to establish a number of well-equipped institutes for training young men as workers. About eleven such Training Institutes exist in both the wings of the country; the East Pakistan Institutes annually turn out 650 male and 45 female workers, while in the Western wing about 660 males and 150 females are trained.⁴⁴ The trainees are usually given training for a period of one year in human relationship and in group dynamics with basic facts in rural development fields. The trainees are also taken to the adjoining Development area for practical work;

In order to meet the requirements for Development Officers and Supervisors different training was imparted from that of the Village-AID worker. To provide the broader and higher standards of training for the upper ranks of Development area staff, two academies are in operation, one in which wing. These academies also provide orientation courses for civil servants.

⁴³ Pakistan Day Anniversary Series (March 23, 1960), Basic Democracies and Village-AID - National Development Organisation (Press Information Department, Government of Pakistan), p. 3.

⁴⁴ Ibid.

Young men and women between the ages of twenty to thirty-five years, after undergoing the Training Institute course go to villages to operate as the Government's single point of contact with the villagers equipped with multi-purpose extension and developmental responsibility. These Village Workers carry to the villagers the knowledge and techniques recommended by the Development Departments. Conversely, they also convey back the problems of the villagers.

The village worker takes the initiative in forming the Village Council by working with progressive villagers; he himself acting as adviser, The Council formulates its projects based on the expressed needs of the people. Any assistance, technical or financial, not forthcoming at the village level is provided by the Government.

At the Central level, to ensure better coordination of these policies, a National Development Council was constituted in October, 1959, to review programmes for rural development and give necessary suggestions.

The institutions of Basic Democracies are thus devised not only to provide self-government politically at the local level, but also for a degree of public representation in administration at successive levels. This introduces a new factor not ordinarily encountered in administration. Although it may be assumed that there is an advantage in elected representatives participating in the process of executing plans emerging from higher authority, Basic Democracies only if a measure of local programme planning and policy formulation rises upward to the points at which governmental decisions are taken. This kind of participation can be most fruitful, but only through a high degree of care for the objective of democratic decentralisation, and the exercise of administrative skill. It is probably in democratic developmental planning that the best opportunity exists for democratic participation. 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. Getting participation in planning, at local levels will be much more complicated but if vigorously pursued rewarding in the long run.⁴⁵

⁴⁵Planning Commission, Government of Pakistan, Second Five-Year Plan , pp. 111-112

CHAPTER V

CONCLUDING OBSERVATIONS : PROSPECTS AND PERSPECTIVES

Foreign Aid and Technical Assistance

"In recent western discussions on economic aid, the idea has gained ground that it should be concentrated on communities in which stability and coherent economic policies give hope of rapid advance. Most experts and most agencies have their own short lists. But one can be fairly certain that Pakistan now appears on them all."¹

Today all Asian nations, many of them newly independent are going through a profound transformation. One of the most urgent problems that confront the people of Asia is how to modernise their society, achieve industrialisation, and throw off the dubious distinction of being underdeveloped. By wiping out the grinding poverty, disease and ignorance they are aspiring to assert human dignity and to challenge the marked contrast between their lot and the wealth, prosperity, and industrial development of the United States and other Western nations.

Consequently, the Asian leaders and governments must demonstrate in the coming years that democracy can provide not only political freedom but also steady economic growth. Otherwise, mounting expectation for a higher standard of living and the economic aspiration for a better future, when unfulfilled and frustrated too long, would sooner or later lead to the downfall of their leaders and governments."Thus, as Chester Bowles pointed out, the government of every underdeveloped country is now on trial."² In the long

¹"Pakistan" The Economist (December 2, 1961), p. 925

²Dong Hwan Kim, "Foreign Aid: Need for a New Outlook" Pakistan Review, Volume VII, No. 11 (November 1959), p. 9.

run, the Asian people (and those like them all over the world) may evolve free and democratic institutions expressing the spirit of freedom and toleration at home and readiness to cooperate with others in the maintenance of peace and order. Or, they may resort to totalitarianism at home and aggression abroad to solve the growing economic problems. Mindful of this situation and also for humanitarian reasons, the West led by the United States, has actively participated in an assistance programme. More recently, however, a larger number of economists and other specialists have argued for a still greater expanded programme to meet the still existing needs as well as the challenge of the Soviet economic diplomacy. On the other hand, a multitude of adverse criticisms has also been levelled at the foreign aid programmes. This is very true in Pakistan where because of recent happenings (political) American foreign aid policy is under fire. Because of these conflicting attitudes, and because of the issues involved, one has to be on one's guard while approaching the question of foreign aid.

In 1949 the idea was first advanced officially that the United States Government should assume a continuing responsibility of aid toward areas of the world not under American flag, and towards peoples of the world who neither were citizens of the United States, nor subscribed to American doctrines, nor were in alliance with the country, nor were in any way bound to the United States by ties of race, religion, culture or affection.³ The beginnings were thus in ideological factors and the programme was even defined as an attempt to pay back to the countries of the world some of the things that have been gained from them in the past.⁴ However, this would be giving a very narrow and one-sided opinion of foreign aid and assistance. Obviously it is governed by other factors

³ Foreign Aid Reexamined, Edited by James W. Wiggins and Helmut Schoeck (Washington D.C: Public Affairs Press), 1958), p. 28.

⁴ Ibid, p. 29.

than those purely humanitarian.

In most of the underdeveloped countries trained administrators, civil servants, engineers, teachers and doctors are few. The supply of capital is always limited because income per capita is so low that savings are impossible. It is possible that some of these nations, with all their problems can survive through their own efforts but for most of them outside help is essential.

Besides humanitarian factors countries like the United States have a political and strategic interest in these areas. Their own dynamic economy has made them dependent on the outside world for many critical raw materials. Moreover, the underdeveloped countries offer the largest potential consumer's market in the world. As they develop, so will their purchasing power and the exports of developed countries.⁵

The basic principle of foreign aid - to new and old nations alike - is that such aid has no chance for lasting success unless its purpose is one which the countries themselves wholeheartedly share - to strengthen each one of them into genuinely independent nations. A second principle is that economic development is long range in character. This does not mean that aid has to be extended indefinitely. But it does mean that unless the donor country thinks in terms of say a four-year programme as in the case of the Marshall Plan, efficient administration of aid is almost impossible. No shorter time span would make possible sensible planning. A one-year programme would not enable the recipient country to undertake a road-building or land reclamation project which would require several years to finish.

Another principle has to do with the responsibility of recipient nations. Each must accept the planning and administration of its own development programme, even though help may be needed

⁵Paul Hoffman, "Blueprint for Foreign Aid" U.S. Foreign Aid, Edited by Grant McClellan (New York: The H.W. Wilson Company, 1957), pp. 24-25

in planning and administration. A fourth principle has to do with the supervisory rights of the donor. Donor nations have the right to exercise judgment in selecting projects which they are willing to finance, and the responsibility to see that the projects are carried out in accordance with agreements.⁶

Foreign aid has usually been regarded as consisting of military, economic, technical and special programmes. The United Nations has its own definition. It considers that economic aid consists only of outright grants and net long-term lending, for non-military purposes by governments and international organisations. The chief aid-giving countries take a much broader view. In particular they include private capital investment and export credits, even for relatively short periods.⁷ In contrast, technical assistance embraces training in modern techniques to fight disease, to expand agricultural and industrial production, to develop road and water transportation - in short, to establish the rudiments of a sound, balanced economy.⁸

Foreign aid and technical assistance is giving added impetus to the emphasis in much of the underdeveloped world to government-promoted development. The investment role thrust on government is likely to be a big one and developing countries have to borrow from abroad to accelerate the pace of development.

Government participation in the transfer of technology is also large. The early development of industrial technology in the West was undertaken by skilled artisans, and the exploitation of new techniques went forward in the hands of individuals and family firms operating in an environment relatively free of government control. Now that these techniques have been developed they can be borrowed. The modern application of these techniques requires large-scale units; the transfer of technology through government agencies becomes inevitable.

⁶ Ibid, p. 26.

⁷ Fredric Benham, Economic Aid to Underdeveloped Countries (London: Oxford University Press, 1961), P. 24.

⁸ Current Issues in Foreign Economic Assistance (Washington D.C. The Brookings Institution, 1951), p. 61.

During the nineteenth century foreign private investment and enterprise were the overwhelmingly important agencies of technical transfer. But foreign private investment finds few opportunities in certain areas, and for various reasons is unwelcome in others. It is now extensively supplemented by the technical assistance programmes of governments and the technical agencies of the United Nations. Currently these programmes involve expenditures of at least \$500 million a year.⁹ This type of technical transfer inevitably again involves the extensive participation of government in the aid-receiving country.

The same has been happening in the area of capital transfer. In 1961 for example, of the total flow of \$8.75 billion in long-term funds from developed to, underdeveloped countries outside the Soviet bloc, nearly \$6 billion represented public loans and grants. Most of these were used to finance activities in the public sector.¹⁰ This tendency is reinforced by the fact that the international and national granting and lending agencies prefer large projects; large projects in countries without highly developed private enterprise fall in the public sector.

An idea of the importance of technical assistance and foreign aid could be realised from the fact that military assistance was given outside of the figures quoted above. Military expenditures, of course compete with economic development expenditures as claimants for favourable resources both in the developing countries and the aid programme. However, to a certain extent they are complementary for many of the military projects could be utilised for civilian use as well, and the army in a number of countries (developing) is an effective agency for promoting literacy and the teaching of useful skills.

⁹E.S. Mason, "The Planning of Development" Scientific American, Volume 209, No.3 (September 1963), p. 238.

¹⁰Ibid.

Of the long-term public funds provided by the West, approximately 90 percent take the form of bi-lateral aid. Most of the remainder come through United Nations agencies, principally the International Bank for Reconstruction and Development and the International Development Association. To an increasing extent, though, bi-lateral aid is coming under some form of multilateral coordination. Consortiums composed of various countries and agencies are formed to finance the development programmes as in Pakistan. Consultative groups of various countries belonging to the Development Advisory Committee are beginning to coordinate bilateral aid to a number of developing countries.

The United States provides roughly 60 percent of the public funds made available to underdeveloped countries by the West. This includes shipment of agricultural surplus under Public Law 480, passed by Congress in 1954.

The total flow of long-term funds, public and private is of critical importance to the developing world. Whether or not this flow is likely to increase or decrease is difficult to say. Under present circumstances, foreign aid can hardly be described as a politically popular undertaking.¹¹

Pakistan has had to look for foreign funds to help finance its development efforts. Both the First and the Second Five-Year Plans rely for sources other than internal to help achieve the targets set. This, in the light of the foregoing discussion is nothing unique. The only caution is to take heed that there is not over-dependence on foreign funds for development is something which can come only from within. Aid to Pakistan is governed by many special conditions, the most glaring of which is the presence of India, a not very friendly neighbour. American aid to the latter in the wake of the Chinese invasion has been looked upon very suspiciously in Pakistan. Obviously, politics has a big hand in administering foreign aid in Pakistan.

¹¹Ibid, p. 240

Ever since its inception Pakistan has been receiving foreign assistance by friendly powers and those with which the country has military alliances. For many years thinking in America has revolved round the future of the Asian land mass including Afghanistan, Pakistan, India and Ceylon. These areas are of utmost concern to the peace and prosperity of the world.

During the period 1952-56, when ideas on planning and development were taking shape, the United States contributed \$110 million in project aid to Pakistan, exclusive of military aid. This was mainly used in increasing agricultural production, improving health, and supporting the Village-AID programmes. In 1954, a programme of special economic assistance was added. The United States has also participated in special food relief programmes. Military assistance began in 1954.

Military aid to Pakistan creates issues in other countries, mainly India. This is a controversial subject. However, most officials justify aid to Pakistan, which is a solid member of the SEATO (South-East Asia Treaty Organisation) and CENTO (Central Treaty Organisation) Alliances. The purpose of military aid to Pakistan is to build up a reasonable level of defensive strength. On the other hand, the ambition of some military leaders is to make the country what one writer has called "a bristling bastion for the defence of the Near East and all South Asia."¹²

The framers of the Second Five-Year Plan realised that the country's balance of payments has in the past faced serious strains mainly because of increased import requirements and heavy deterioration in the terms of trade. Foreign aid, loans and foreign private investment have largely helped the economy to stand these strains. During the Plan period the foreign exchange earnings are expected to increase by 15 percent, but

¹²Lewis Webster Jones, "Problems of Aiding Pakistan and India" in Grant McClellan, op.cit. p. 195

this will not be enough even to meet the non-development import requirements; the entire development import requirements will have to be financed from foreign aid. The total foreign resources needed amount to Rupees 9,700 million; this external assistance required for the Plan is composed as follows:-

	(Million Rs.)
Aids, loans, and Private Investment for development programmes	6,500
Balance of Payments support in the form of non-project aid	1,500
Foodgrain aid	1,000
Extraordinary agricultural commodities aid	<u>700</u>
Total.....	<u>9,700</u>

Source: "Second Five-Year Plan", p. 99.

Utilisation of aid on the lines indicated above is dependent on the form in which aid becomes available to the Government of Pakistan. Many of the projects in the public sector will be available for external aid in the form of project aid. There are, however, a large number of projects, including those in the field of health, education, and social welfare, which are essential for the balanced development of the country, but which normally do not qualify for project aid.

In general, defence support from the United States, and a certain amount of commodity aid from Colombo Plan countries is the only aid which is not tied to particular projects. Arrangements are needed to receive a substantially larger amount of commodity aid or untied project aid during the Plan period.

Considerable time is taken up by negotiations for aid, signing of project agreements, contracting for engineers and the ordering of equipment in accordance with the conditions laid down by aid giving agencies. Sometimes these negotiations are

helpful in the proper preparation of projects but frequently they are time-consuming and result in delays in the implementation of projects. As a rule, no aid imports materialise in the year in which aid to a project is committed; and often as much as two years pass by before there is any impact apparent on the implementation of projects. Moreover, in Pakistan technical assistance has been made available largely in the public sector. There is need for its greater expansion to the private sector.¹³ The effectiveness of the technical assistance programme in stimulating and accelerating sound economic development will be the measure of its success. Certain basic requisites (in a country like Pakistan) for a programme to fulfil this purpose are¹⁴:-

(i) A practical approach : Development in the country must grow out of the country's particular needs, desires and peculiarities. A programme will be judged largely by its practical success to adopt and combine scientific findings and technical experience from many sources to meet the requirements and resources of particular environment.

(ii) A favourable environment : Far-reaching changes are needed in the attitudes and habits of the people as many comprehensive programme of economic development will involve far-reaching structural changes in the social and economic structure of an underdeveloped country. The proposed technical assistance activities are intended to help the underdeveloped countries to help themselves in developing their resources and productive capacity.

(iii) Personnel : Essential for any programme of technical aid is an adequate supply of qualified experts; in fact, the larger the technical aid programmes undertaken, the greater the difficulty in obtaining sufficient experts to administer the plan.

¹³ Government of Pakistan, Second Five-Year Plan, pp. 99-101.

¹⁴ United Nations, Technical Assistance for Economic Development, pp. 13-18.

The quality of experts is even more important than their number for inappropriate advice, given at a critical stage in the planning or execution of a development programme may be costly. The international technical assistance programme should also take full advantage of the personnel services available in the receiving countries.

(iv) Continuity : The expanded technical assistance projects are merely a beginning and take years to complete. The programme is thus, essentially a long-term undertaking. The domestic contribution to economic development will be much larger than any external aid given. As such receiving countries should be prepared to take steps necessary to maintain and further development (at the conclusion of the international assistance) of the technical facilities and services established in the country.

It is felt that if the Second Five-Year Plan's external assistance requirements are not met, the implementation of the Plan will not be possible. External assistance is thus playing a critical role in the development of Pakistan. The aggregate foreign aid and foreign private investment projected for the Plan amounts to almost 48 percent of the outlay. This does not include the assistance to be received and which has been received under Public Law 480 programme of the United States, estimated at Rupees 3,400 million which would bring external resources to about 62 percent of the Plan. The financing of the huge Indus Works Project is also outside the Plan.

The World Bank has organised a Consortium of countries to finance the Second Plan. The members are Canada, France, West Germany, Japan, the United Kingdom, the United States, the World Bank and International Development Association. For the first three years of the Plan, the Consortium committed aid as follows :-

	(Million \$.)		(Million \$.)
Canada.....	57.8	France.....	25.0
West Germany....	117.5	Japan.....	65.0
United Kingdom..	70.0	United States...	629.6
World Bank and IDA	209.4	Total	<u>1174.3</u>

Source: Government of Pakistan "Reply to Questionnaire of U.N. Group on Planning in Pakistan", p. 16.

Under the Colombo Plan, Pakistan is receiving project and technical assistance from Canada, the United Kingdom, Australia, New Zealand and Japan. Technical assistance is also being provided by the United Nations specialised agencies.

Planning of the development projects in step with the availability of foreign aid and the necessity to speedily and fully utilise aid allocations, have posed many problems in recent years. Joint ventures in which foreign capital and technical skill combines with local capital and entrepreneurship are growing. Meanwhile foreign private investment has increased in recent years. Pakistan has entered into agreements with a number of industrial countries for the avoidance of double taxation and the Industrial Promotion Bureau affords all possible assistance to foreign enterprises.

Public Administration Gains Grounds

"As development goes forward, the expression 'administration' steadily assumes a broader content. It includes within its scope the building up of personnel, training of men, running the administrative machine, seeking the cooperation and participation of the people, informing and educating the public, and finally, organising a sound system of planning....Increasingly, administrative tasks have to be taken in new fields.....Thus, in a very real sense, the plan revolves into a series of well defined administrative tasks."¹⁵

In the presentation of a sectoral development programme, considerable attention has to be given to policy and administrative aspects. It is now generally held that the question of plan implementation is a question governed by questions of motivation and administrative mechanics. Both are complementary for in the mobilisation of human energy towards a certain goal it is the policies and channels through which it is mobilised is what counts. Undoubtedly the role of the Government is crucial in implementing a plan of the size and proportions of Pakistan's Second-Five-Year Plan but it would be too limited a view to presume that the people are to play a passive role.

The First Plan contained a comprehensive review of the problems facing the public service in the execution of a national development programme. Problems of administration were identified and proposals made on organisation and staffing to facilitate planning and implementation. Many weak spots noted in the First Plan have been dealt; administrative reforms were effected during 1958-60 (reference to it has earlier been made). Public Administration was materially stronger, it is held at the commencement of the Second Plan than it was at the beginning of the First. The much enlarged current programme could not have been presented with a degree of confidence had not important

¹⁵ Planning Commission, Government of India, Second Five Year Plan, p. 126.

administrative improvements already taken place, and a suitable climate created for further strengthening the structure and operations of government.¹⁶

Administration is a process common to all group effort. Despite great diversity in culture and technology, the process of management throughout the centuries was inherently the same as that which now makes feasible great business enterprises and systems of government. Building the Pyramids was an administrative achievement of the first order, as well as a remarkable technical accomplishment. Defined in broadest terms, public administration consists of all those operations having for their purpose the fulfilment or enforcement of public policy¹⁷, and an administrator is one who directs, coordinates and controls the activities of others.¹⁸

The spread of governmental activities is widespread. Before the steam engine, the locomotive, the radio and all other marvels of science and technology made civilisation what it is today, the responsibilities of the government were not only quite limited, but on the whole largely negative in character. All modern nations during the last century have experienced a great transition. So great and so unsettling has been the impact of scientific inventions upon the conditions under which the vast majority of people work and live that the police activities of the state have long come to be overshadowed by others of a more positive nature.¹⁹

With this increase in the function of government the expansion, improvement and development of its administrative machinery is, therefore, one of the primary tasks and public

¹⁶ Planning Commission, Government of Pakistan, Second Five-Year Plan, p. 106.

¹⁷ Leonard D. White, Introduction to the Study of Public Administration, Third Edition (New York: The Macmillan Company, 1948), p. 3.

¹⁸ Ibid, p. 4.

¹⁹ Elements of Public Administration, Edited by Fritz Morstein Marx (New York: Prentice Hall Inc, 1948), p.18.

and public administration has been defined as an instrument through which a government discharges its responsibilities.²⁰ It was thus felt that the administrative machinery needs to be geared to the tasks of development and social advance so that the inadequacies of Pakistani administrative machinery will not operate as the most serious impediment to the maximum economical use of the country's financial and material resources. The pace of the implementation of economic and social programmes is likely to be governed by the capabilities of the nation's administrative and technical organisation.

The First Five-Year Plan laid down that administrative organisation involves the division of the business of administration among a number of units, each performing specified functions and all working together to achieve common objectives. These were laid down as follows :-²¹

(i) A number of self-contained units assigned clearly defined and functionally inter-related responsibilities with sufficient authority to discharge them.

(ii) The horizontal arrangement of such units into homogeneous groups looking after clearly demarcated and sizeable areas of administration, with no gaps and a minimum of over-lapping.

(iii) Vertical arrangement of the units and groups on a pyramidal scale of descending responsibility, with a straight line of command extending throughout, and with maximum delegation of authority to enable decisions to be taken within the framework of approved policy without constant reference to higher levels.

(iv) Arrangements at the higher levels, especially at the top to ensure coordination, both horizontally and vertically.

Judged in the light of these requisites, it was agreed at the beginning of the First Plan that the administrative machinery for development suffers from a number of shortcomings. These were found to be inadequacies of personnel, inadequacies of organisational

²⁰ Planning Board, Government of Pakistan, First Five-Year Plan, p. 91.

²¹ Ibid, pp. 92-93

structure, unplanned changes in line with political expediency, disparities of size, absence of organisation for certain development subjects and the general attitude of regarding development work being of secondary importance. These further led to problems of control and delegation not to mention the defective coordination which was resultant.

The principal administrative tasks thus could be summed up as being essentially the same as faced by India while formulating the Second Plan:-²²

(i) Ensuring integrity in administration.

(ii) Building up administrative and technical cadres and providing incentives and opportunities for creative service.

(iii) Continuously assessing requirements of personnel in relation to the tasks to be undertaken and organising training programmes.

(iv) Building up organisation for the efficient management of public enterprises.

(v) Securing local community action and public participation.

Several important steps²³ were taken in the direction of overhauling the administrative setup during 1959. Reorganisation bodies were assigned the task of overhauling Central and Provincial administration and remove drawbacks impeding changing needs. The principle was accepted, and is since being adhered to, that the Ministries of Central Government would deal mostly with questions of policy and leave executive functions to the appropriate operating departments. Departmental officials were authorised to carry out administrative functions hitherto performed by the Secretariats of the Ministries. Although it is not easy to maintain

²²Government of India, Second Five-Year Plan, p. 127

²³See Government of Pakistan, Second Five-Year Plan, pp. 112-113

a rigid distinction between policy framing and executive functions, it was realised, care will have to be taken to ensure that overall centralisation of authority does not hamper effective field operations, which are to remain the testing ground for all administrative action.

A major reform in the handling of all cases in the Secretariat is the introduction of the section officers system, which eliminates the previous assistants and superintendents. A single section officer now prepares cases for consideration by responsible officials.

Officers of the Civil Service of Pakistan which forms the backbone of the country's administrative machinery, are selected from among highly qualified young men (and women) and are provided extensive training and briefing prior to posting in a government position. Much controversy has raged in the past about the suitability of a generalist service to handle the complex problems of administration. For sometime to come the Civil Service should continue to be moulded on the present lines though there is a shift to a more specialised service and a more specialist approach in the recommendation of the Administrative Reorganisation Committee that the Ministries of Education and health be manned exclusively by members of these services.

The problem of filling the personnel needs of the public service is not so much of attracting the talented as of making up for shortages of skilled personnel through training. The task of personnel management has become more difficult because of introduction of new concepts of administration in the Basic Democracies programme.

The Civil Service of Pakistan Academy and the Finance Officers Training Academy provide specialised pre-entry training for the probationers selected for entry. The Academies for Village Development provide post-entry training for officers at intermediate levels in the problems and techniques of development administration. An Administrative Staff College functions for catering to the formal

courses for senior officers. The Institute of Public Administration at the University of Karachi provides graduate training. With the opening of like institutions in Lahore and Dacca, public administration has finally gained grounds in the governmental machinery of Pakistan.

The First Plan rightly stressed the need for improving the budgeting process as an effective instrument of development administration. During most of the Plan period this could not be realised; a kind of dual budgeting existed - a programme budget constructed for the requirements of the annual development programme, and a fiscal budget prepared essentially for financial management. Only in 1959-60 were directives issued for the budget to be a continuous process, and that preparation of the budget should begin twelve months ahead of the financial year, to which it relates. The accounting system was improved and auditing introduced. Most important, it was decided to abolish the system of expenditure authorisation by the Ministry of Finance prior to commitment of budget appropriations.

Public Corporations and Authorities :

A new classification designated the "semi-public sector"²⁴ has been introduced in the Second Plan. Corporations financed by government loans and grants are also in some cases financed by private contributions, and frequently have resources of their own. Also they differ from public sector agencies in that they enjoy a much greater degree of administrative autonomy. They are government sponsored corporations which draw their finances from the public as well as the private sector. The decision-making power of the corporations rests with a Board of Directors which combines representation from the government and from private enterprise. It is estimated that these corporations will undertake a total investment programme of Rs. 3,250 million. Of this the

²⁴Ibid., p. 9.

Government should contribute 1,750 million through loans and grants. The Government sponsored organisation included in this classification are :-²⁵

- Central Agencies - Pakistan Industrial Development Corporation, Small Industries Corporation, Karachi Port Trust, Chittagong Port Trust, Pakistan International Airlines, Karachi Road Transport Corporation, Karachi Electric Supply Corporation, and Karachi Development Authority.
- East Pakistan - Inland Water Transport Authority, East Pakistan road Transport Corporation, East Pakistan Small Industries Corporation, and Improvement Trusts in Dacca and Chittagong.
- West Pakistan - Road Transport Board, Small Industries Corporation and Improvement Trusts.

Earlier, by 1955, several public corporations and various agencies in the field of agriculture and finance had already been created. These are Agricultural Development Finance Corporation, the Agricultural Bank, the Pakistan Industrial Finance Corporation, the Pakistan Industrial Credit and Investment Corporation and the House Building Finance Corporation. The First Plan recommended further experiments in this direction; water and power development authorities were proposed to integrate water programmes. The West Pakistan Water and Power Development Authority was created in 1958 and the East Pakistan one in 1959. A Forest Development Corporation was also set up.

The ability of corporations and authorities to plan and execute programmes has been effectively demonstrated, The Industrial Development Corporation in particular has drawn considerable attention. "On the assumption .. that Pakistan's 'free enterprise' perspectives of industrial development are viable, the Corporation must be regarded, in many respects, as a model institution... If the

²⁵ Ibid., pp. 9-10

amount of industrial development it has promoted is not very substantial in relation to Pakistan's needs, the reason is to be found not in any failure on the part of the Corporation but in the country's chronic political disability (before Ayub took over) and the lack of adequate central planning machinery."²⁶

There has been everywhere evident in recent years a tendency in favour of employing semi-autonomous statutory corporations for special tasks. The non-communist underdeveloped countries provide an extraordinary rich field for the comparative study of public enterprise. The type of enterprise adopted is usually a copy of the West; the British public corporation, the "mixed" enterprise of Western Europe and the Tennessee Valley Authority type. There is however a danger of the excess of use as in some countries there is a tendency to create such institutions for the fulfilment of almost every new need. These corporations vary widely in their responsibility and importance ranging from narrow-range bodies to the Chilean Fomento whose functions are so comprehensive that virtually every sector of the economy comes within their province.²⁷ In view of these tendencies it is important to remember the basic principles that ought to govern the establishment of development institutions of this type. These are:-²⁸

(i) that the corporation form of organisation should be strictly limited to those institutions which require for business purposes, the degree of autonomy which it is supposed to confer;

(ii) that where a new function can be conveniently added to the existing functions of an established agency, this should be preferred to the creation of a new agency;

(iii) that the attempt should be made, when subdividing developmental functions, to form a series of "coherent missions", as Paul Appleby calls them, through the clear delimitation of responsibilities and the avoidance of unnecessary duplication and overlapping.

²⁶A.H. Hanson, "Public Authorities in Underdeveloped Countries" Public Administration Practices and Perspectives, Volume 1, No.2 (September 1962), pp. 11-12.

²⁷Ibid., pp. 6-9

²⁸Ibid., p. 10.

The importance of these agencies differs from country to country depending on the economic policy of the country. For example, India which is aiming at a Socialist pattern of society plans to keep the key industries in the public sector. As such the Indian National Industrial Development Corporation was intended to behave as a "gap-filler". Pakistan, diversely wishes to retain as few enterprises in the public sector as possible, and therefore, is interested in the short term problem of promoting concerns which after rapid development will ultimately be handed over to private ownership. Thus the Industrial Development Corporation has become the country's main agency for industrial development and economic diversification. "After carrying out a preliminary survey, a project report is submitted to the Ministries of Industries and Finance and to the Planning Commission. An effort is made to associate private capital at the outset. If private participation is not forthcoming, the project is carried out."²⁹

To ensure public accountability the First Five-Year Plan was of the opinion that all these corporations should not be divested of governmental responsibilities. The Minister should appoint the Chairman, give general directions, accord approval for all capital programmes and call for periodic reports.

The general problems which arise are especially in the area of effective policy control by government, and coordination with other departments and agencies engaged in other developmental activities. As is rightly pointed out, the whole structure of administration built upon Basic Democracies, could be upset if it came into conflict with a pattern of authorities assigned specialised functions which are withdrawn from the sphere of local development administration and planning. The advantages of resorting to quasi-autonomous agencies to get quick results have to be weighed against the dangers undermining the effectiveness of administration through already established channels. However, where these authorities can

²⁹ Ibid., p. 11.

function usefully within defined limits they should be given the maximum possible administrative flexibility.³⁰

³⁰Government of Pakistan, Second Five-Year Plan, p.118

Critique - What Could or Should
Be Done ?

"To recite the mistakes, difficulties and limitations of the planning process in developing countries (like Pakistan) is not to argue against planning as an essential technique of development. There are important objective reasons as well as ideological reasons why the role of government in economic planning and promoting development must be large."³¹

Before the emergence of the new regime in October 1958, the history of Pakistan can be said to fall under four stages. The first phase was the struggle for survival; the country had no governmental apparatus and had to start from scratch. She had no trained administrators, no industry; the pessimists and economic experts alike said she could not survive. But the stage was passed and then about 1949, the second phase began when Pakistanis began to plan the development of their economy. The third phase is associated with the Korean boom when the country seemed to be entering economically on a golden age. It was a period of great development but one which the experts cautioned against. The Pakistanis began to think that the sky was the limit as far as expansion and development goes and then by overdoing things they sowed the seeds of many of their later problems. The fourth period which lasted from three to four years before the Revolution was a mixed period. On one hand there was economic development which did great credit to the people; on the other hand, a complete lack of prudence in the management of resources. They embarked on an expenditure they could not afford. Political situation was deteriorating, the public was rapidly losing respect for the rulers and honesty was disappearing from public life. It was a time of political decline which naturally had great repercussions on planning and development.³² Pakistan began searching feverishly for foreign loans. Its First

³¹E.S. Mason, op.cit., p. 244.

³²Sir Percival Griffith, "Pakistan Today" International Affairs, Volume 35 (July 1959), pp. 316-317

Plan was in jeopardy though targets had been scaled down, and it was doubtful that the end of the Plan period would show any marked improvement in the living standards of the poor assuming that a substantial part of the increase in income will be re-invested as part of the development plan.³³

The first decade of Pakistan's eventful history demonstrated the typical growing pains of an expanding economy slowly emerging out of economic stagnation. During the period the country passed through a series of political upheavels and natural catastrophes rendering the task of economic development more difficult than otherwise would have been.³⁴ However, as an observer put it, "there is no facile solution for the country's problems of economic development and welfare, but the fact that the nation has survived in the face of overwhelming odds is significant. A less hardy people would never have endured till now."³⁵

From the outset it was apparent that the First Five Year Plan, a big, voluminous programme will not achieve its targets. It was too ambitious and laid out targets which at that time and under those circumstances were far out of the reach. In a broadcast from Karachi on March 2, 1959³⁶ the Chief Economist of the National Planning Commission and Economic Adviser to the Government while reviewing the Plan declared that the Plan was not likely to be fully implemented and would achieve about two-thirds of the physical targets. In physical terms this was to mean much less. The disappointing performance was explained not as much by shortage of resources as by the lack of will and ability to execute the Plan. The Federation of Chambers of Commerce and Industries in its annual meeting on June 3, 1958 viewed with great

³³ "Pakistan Bootstraps" The Economist, Volume 188 (September 6, 1958), p. 766.

³⁴ A.M. Haq, "Pakistan's Economic Development" Pacific Affairs, Volume 32, No. 2 (June 1959), p. 144.

³⁵ John Owen, "The Plight of Pakistan" Contemporary Review, Volume 195 (May 1959), p. 293.

³⁶ Asian Recorder, May 2-8, 1959, 2643.

concern that compelled by general economic conditions in the country, the Planning Board had to make a downward revision in the targets, and held governmental policies responsible for the actual development of the Plan falling far short of the levels originally intended.³⁷ There were also general complaints on basis of available evidence that the disparity between the income levels of less and more advanced regions in both wings of the country had not diminished. It was thus argued it would be better to have separate plans in respect of both wings keeping in view their respective requirements and differences in environments. The two could then be synthesised into one in the overall economic interests of the country. This would not only enable the planners to assess the varying needs of the two wings regardless of political considerations, but would also help them considerably in the evolution of a final balanced plan for the whole country - one embracing not only economic, but also political, administrative and other considerations.³⁸

It is emphasised again and again that shortages of technical and administrative talents offer the most serious obstacles in the way of accelerated development. It is in the differing degrees of inadequacy of the administrative and technical sources that the Board found the main explanation for the relative lower rates of growth in different parts of the country and specifically in East Pakistan.³⁹ However, a number of criticisms have been levied against the Plan and the organisation of the planning machinery.

It is widely held that separation of powers and allocation of responsibilities among various units of the planning

³⁷ Asian Recorder, June 7-13, 1958, 2096.

³⁸ Dr.A. Waheed, "Planning for Prosperity" Pakistan Review (October 1959), p. 23.

³⁹ Andrus Russell and Azizali Mohammad, The Economy of Pakistan (London: Oxford University Press, 1958), pp. 509-510.

organisation are indispensable under democratic planning. There is, though, a danger of making an over-elaborate functional distribution so as to render the machinery extremely complicated and time consuming. Planning for development was a new administrative experience for Pakistan for which the Government was not fully equipped to begin with, and at the initial stage of programming overlapping of functional jurisdiction was inevitable. The position of the Planning Commission between the Economic Council and the Planning Board is an illustration.⁴⁰ A major part of the functions of the Planning Commission involving coordination of development schemes could be delegated to the Board. The Board's assignment to formulate an overall plan for economic development without such coordinating authority becomes meaningless. Eradicating the opportunity for duplication of functions in this manner the Planning Commission could have been assigned, first, the fundamental task of implementing the development programmes formulated by the Planning Board and approved by the Economic Council; and second, the task of supplying the Board with information regarding the progress of projects under way as well as new ones under consideration. The three agencies through independence could operate under conditions of workable equilibrium.

The Draft Report on the First Five Year Plan did not indicate what techniques the Board had adopted while formulating the Plan. It is not clear how the overall targets were determined and how the consistency of aggregate targets with the sectoral targets was tested, as one would expect from any scientific programme of economic activities.⁴¹ Lack of comprehensive, dependable statistics relating to such fields as national income, employment etc. renders the application of advanced techniques to programme formulation impossible. As such the Plan could be

⁴⁰ A.M. Haq, "Reflections on Economic Planning in Pakistan" Far Eastern Survey Volume 27 (January 27, 1958), p.3.

⁴¹ Ibid.,.

called little more than an expenditure programme. To transform it into scientific plan, there was need for an operational theory more suited to the conditions in Pakistan and not necessarily a copy of the West.

It has been estimated (on basis of surveys of Asia and the Far East) that an annual rate of increase of 2 percent in per capita income would require a rate of capital formation equivalent to 9 percent of the national income.⁴² For Pakistan the rate has been estimated approximately at 5 percent of national income.⁴³ The slow rate of domestic capital formation and the unpredictability of the flow of external finance have been slowing the pace of development in Pakistan as in some other Asian countries. Finance is the crux of the problem and it appeared that the expenditure targets of the First Plan were based on unrealistic estimates of the financial resources of the country.

The fundamental objective of economic planning and development is to enhance economic welfare of the community in terms of per capita real income. Accepting this definition of economic welfare one would expect from the Pakistani planners some attempt to obtain information regarding consumption patterns and levels in the community. Some beginning (like sample surveys) should have been made to prepare eventually sound statistics. Lack of information and interest in this aspect of economic development detracts considerably from the quality of the five year plan.

Despite these limitations, the Board made a significant contribution to long-range improvement in the economy of Pakistan. Though it fixed optimistic goals, it was thought "these goals themselves may be a spur to constructive achievement."⁴⁴ The Five Year Plan was a definite improvement on previous efforts and laid the groundwork to a more practical approach in the years to come.

⁴²United Nations, Economic Survey of Asia and Far East-1954, p. xiv

⁴³United Nations, Economic Survey of Asia and Far East, 1955, p. 164.

⁴⁴Andrus and Mohammad, op.cit., p. 512.

The functions of the planning organisation must be wide. However, its main duty is the formulation and evolution of plans. A direct link between the planning and executive authorities, should therefore, be provided at the highest level. For this purpose, under the Second Plan, the President is the Chairman of the Planning Commission and presides over the Cabinet and National Economic Council as well. The Deputy Chairman of the Planning Commission has ministerial status and the Commission forms part of the President's Secretariat. Though good working relations exist with other government agencies, the links with industry, trade and universities, and other non-official organisations are not yet satisfactory. So far, development planning process has not enjoyed widespread public and private participation. Thought will have to be given to this matter. The integration of public and private sectors in a development plan could be effected. The public sector cannot be fully appraised without considering its effects on the private sector; the ultimate criterion of a successful plan is whether the government has made the right assumptions about what is going to happen in the private sector.

The success of the planning process in Pakistan will ultimately depend on the extent to which it can influence and harmonise decisions affecting development in the public and private sectors. Through effective coordination and stimulation, the Planning Commission can influence key decisions in government. The acceptance by the Government of the plan means general approval of its objectives and priorities rather than a detailed blueprint for action. The Planning Commission now has access to the centres of decision making both at the Central and Provincial levels.

Planning organisations should occupy strategic position in the governmental structure. On the prestige accorded to the plan organisation depends the quality and effectiveness of the planning effort.

In order to secure adequate status and authority for the planning agency some experts have advocated the establishment of a

planning agency by law rather than by a mere resolution or order of the government. The Conference of Asian planners convened by the Economic Commission for Asia and the Far East in October 1961, made the following recommendations :-

"Of course it is essential to provide stable existence for the planning agency and to ensure its freedom from political pressure groups ... What is indispensable for the successful functioning of a plan and of the planning agency is the existence of a strong and stable government headed by a broad-based leadership capable of securing a broad agreement and support for planning in all sections of society."⁴⁵

The Conference also laid emphasis on the importance of the planning agency being representative of the feelings of the people and their ambitions. The need for association with other Ministries is apparent. There could be regular and frequent meetings at the officers' level in which the concerned department's officers can participate. There can also be two-way exchange of officers between the planning agency and the departments.

Some of the most important problems waiting for solution with respect to the planning process in Pakistan are :-⁴⁶

(i) The establishment of suitable machinery for perspective planning in which a solid statistical groundwork and a wide public participation will be needed.

(ii) The statistical system of the country is being revived and the Planning Commission has to establish statistical priorities.

(iii) Under the new Constitution there will be a change in the form of collaboration between the Planning Commission and the community.

(iv) The system of Basic Democracies is likely to bring new forms of what Ursula Hicks calls "development from below".

(v) The present method of investment planning could evolve into manpower planning with the stress on education, training and employment in new economic fields emerging through planning efforts

⁴⁵ Quoted in Aftab A. Khan, The Position of Planning Organisation in Pakistan (Planning Commission, Government of Pakistan, 1962), p. 18.

⁴⁶ Ibid., p. 19.

in attempting to acquit the heavy responsibilities assumed or thrust on them, the governments of underdeveloped countries espouse planning as the preferred development technique. The plan as it emerges from the planning agency may fail to win acceptance as a programme of action by political authority, or even if duly ratified, political pressures and interministerial rivalries could cause developmental expenditures to depart from prescriptions. This does not constitute an argument against planning but against confusing the mere existence of a plan with effective planning. It must not also be forgotten that planning agencies are advisory to political decision makers, and it goes without saying that planning will inevitably reflect the political characteristics of the government being advised. As such economic calculations operate within a fairly severe set of limitations.

Planning has now come to be accepted as the most effective way to economic development and Pakistani leaders are fully rising to meet the challenge. There is still one year remaining for the termination of the Second Plan and it is early to forecast the ultimate outcome. Already there are signs in the country of a change in attitude if not policy. There is a growing realisation of lessening the dependence on foreign assistance particularly from the United States. Pakistan's currently friendly ties with Peking are being closely watched by the Americans. Already there have been repercussions. A \$4 million loan for the extension of Dacca airport has been revoked when Pakistan decided to give landing rights to the Chinese. It would be too rash a conclusion to presume that this shows a Communist leaning attitude or shift to the left on part of Pakistan. Though these developments will undoubtedly have some bearing on plan targets, it can be fairly safely concluded that planning in Pakistan will follow the adopted lines for some time to come.

Two economic elements having widespread administrative implications are the budget and the rate of population growth. The budget is the tool of fiscal policy and as such needs to be carefully considered. No plan or even the various programmes embodied in that plan can achieve a fair degree of success unless the budget is free of violent fluctuations. At the moment Pakistan relies heavily on earnings from excise and import duties. Such a policy is risky for it is not easy to maintain a steady income from such duties which are subject to great fluctuations as compared to revenues from within, as on cash crops for example. Fluctuation income would mean that all projects will be subject to sudden ups and downs. This is in direct contrast to good planning.

Family planning and birth control, regarded as the only answer to the multiplication in population figures seem headed for nowhere in a society like Pakistan due to religious reasons and other social factors. The vast advance in science and growing number of medical services has rendered infant mortality to the minimum and prolonged life years in general, thereby resulting in the so-called 'explosion'. Pakistan must find an answer to this situation if it expects in any way to achieve and surpass the goals it has embodied for itself. This situation is not peculiar to Pakistan alone but is faced by most developing countries today. The choice is between survival and disaster; survival implies approaching the situation realistically and shedding pre-conceived ideas and notions.

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