

On Planning in Pakistan

by

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Mr. Albert Waterston's book¹ is a lucid and comprehensive account of Pakistan's planning experience. The present reviewer, who has been intimately associated with the planning process for a number of years, cannot help admiring the excellence of his investigations into various facets of Pakistan's planning. Mr. Waterston, in the preface of his book, very rightly draws attention to the paucity of literature on the organization and implementation aspects of development plans as compared with the ever-swelling stream of books and articles on the techniques of planning. This 'disequilibrium' in the literature on planning may partly explain the wide gap between "planning" and "performance"—a phenomenon very widely encountered in the developing world. The present study should help to make an important contribution towards the rectification of this imbalance in planning literature.

I

In the introductory chapter of the book, the main lessons of Pakistan's planning experience are set out. Mr. Waterston is absolutely right in asserting that the cardinal lesson to be learnt from Pakistan's experience is that effective plan implementation is only possible with "government's firm and constant support"². The overwhelming importance of governmental commitment to planning emerges from the experience of every developing country. The history of the First Five-Year Plan (1955-60) in Pakistan, which for the major part of its life never received the government's unqualified support, tragically confirms the validity of this conclusion. A further lesson which can safely be drawn in this regard is that governmental commitment to planning is easier to secure in a "milieu" of political stability than in one characterized by constant flux. It has also to be noted that a satisfactory solution to the extremely difficult problem of reconciling the apparent inconsistency between the requirements of planned development and the processes of a democratic life has not yet been found in Pakistan or in any other developing country. In the case of Pakistan,

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¹ A. Waterston, *Planning in Pakistan: Organization and Implementation*. (Baltimore: Johns Hopkins Press, for the Economic Development Institute, International Bank for Reconstruction and Development, 1963. Pp.x + 150).

² Waterston, *op. cit.*, p. 3.

the problem has been further aggravated by the failure of political parties to develop the demands of the people for economic and social progress on an intelligent and consistent basis.

Other lessons to which Mr. Waterston has drawn attention and with which there will be general agreement are: "... the disadvantage of establishing a planning body on a temporary basis; the debilitating effect on a central planning agency of low salary-scales and archaic personnel policies; ... the necessity of locating a national planning agency near the centre of political power; ... the desirability of decentralizing the formulation and implementation of plans in a country like Pakistan; the necessity for combining progress-reporting and evaluation of plan results with the planning function; ... the lag of implementation behind the formulation of plans when operating departments and agencies lack effective programming units to prepare sound projects and programmes; the desirability of tying long-term plans to budgets through annual development programmes; ... the need for appropriate distribution of foreign technical assistance between central and provincial agencies"³. The validity of these lessons is so obvious as not to require any comment. Almost all of these conclusions were also supported by the First Session of the Conference of Asian Planners held in New Delhi in September/October 1961.

Aside from the lessons mentioned above, Mr. Waterston has drawn certain other conclusions which may not evoke the same wide consensus. Two such significant conclusions are "... the deficiencies of the commission type of planning" and "... the desirability of having the central planning agency coordinate all governmental foreign aid and technical assistance". Personally, I find nothing inherently deficient in a planning agency of the commission type. In a country like Pakistan, where the regional aspects of development are crucially important, only a commission-type agency can ensure the conformity of the plan with broad agreement among the various interests of the community. Moreover, in view of the fact that in Pakistan almost all the top bureaucratic posts are occupied by "generalists", a commission-type agency enables the government to secure for planning purposes the best technical talent available in the country outside the regular civil service. It is, however, an unfortunate fact that the planning agency in Pakistan, for a variety of reasons, into which I do not propose to go, has never functioned as a Commission/Board. The planning organization has always operated as a regular government ministry dominated by its fulltime head. As I see it, such functioning, in future, will become difficult. Growing awareness of the significance of planning and its strong political overtones must perforce make for commission-type functioning.

³ *Ibid.*, p. 3.

The question as to whether the central planning-agency should coordinate all governmental foreign aid and technical assistance admits of no easy answer. As planned development in Pakistan is, to a large extent, dependent on the receipt of external loans, grants and aid, it is inevitable that the central planning-agency should be intimately involved with the problems of such availabilities. This work, however, should only be undertaken to the extent that it is consistent with the main function of the planning body, which is the preparation of a comprehensive, integrated blueprint of social and economic development. For this purpose, it is vital to assess the total external resource gap, to analyse its implications for the foreign-exchange component of the plan, and future external liabilities of the country. The planning agency has also to adjust various plan projects and programmes in a way that balances the total demand for foreign exchange with expected availabilities. In addition to this technical economic work, there is a large amount of administrative work involved in preparing grant, aid or loan proposals, negotiating these, arranging their commitment and disbursement, and preparing progress reports on the operations of these funds. These functions should be appropriately carried out by a separate agency. If such operating functions are assigned to the central planning-agency, the agency will be in danger of being reduced to the level of an ordinary, operating ministry and lose its unique position in the governmental hierarchy. The present position in Pakistan where the Planning Commission is concerned with the overall assessment of foreign aid, grants and loans and their economic implications, while the Economic Affairs Division deals with the actual administrative work pertaining to these aid, grants and loans, is quite appropriate. No doubt, at present, coordination between the Planning Commission and the Economic Affairs Division is greatly facilitated by the fact that the same person happens to be the administrative head of both the organizations.

II

After stating the main lessons of planning, Mr. Waterston acquaints the reader with the basic features of the economy and polity of Pakistan in a brief chapter (Chapter II). Thereafter, he proceeds to give a critical historical account of the evolution of the planning function in the country. In Chapter III, the pre-First-Five-Year-Plan planning efforts are described. Here it is noteworthy that, while the pivotal role of central planning as a means of guiding and accelerating economic development was recognized by the then political rulers of the country, no serious attempts were made to initiate the planning process. The Development Board which was set up in 1948 "to coordinate development plans, recommend priorities, watch the progress of development projects and make periodic reports to the Cabinet on the progress of development projects",

was an ineffectual body. Its recommendations were shown scant respect and it was often bypassed. Moreover, the Board proceeded on an individual-'project' basis without reference to any overall design of development for the economy. The Planning Advisory Board (composed of officials and representatives of the private sector), which was set up simultaneously with the Development Board to advise the government on matters relating to planning and development, made no attempt to guide the government in preparation of a comprehensive integrated plan.

In September 1950, under the umbrella of the Colombo Plan, a Six-Year Development Programme was prepared, covering the period July 1951 to June 1957, and costing Rs. 2.6 billion. This programme was far from being a plan. It was a hastily improvised list of projects, some on-going, some on the anvil, and some just gleams in the eye, with very approximate costing and with hardly any attempt to relate projects to one another. The physical targets in various fields of development and the estimate of increase in the standard of living were mere guesses. It was an example of pragmatic planning at its crudest. Given the short time and the lack of basic statistical data for planning, it was perhaps inevitable. The principal aim of the framers of the Colombo Plan was to make out a case for foreign aid on the basis of a seemingly realistic plan of development. This objective was to a great extent realized.

To implement the Colombo Plan, the government created new machinery of implementation: an Economic Council, presided over by the Prime Minister and including the Ministers of Food and Agriculture, Communications, Education, Economic Affairs, and Finance and Industries; and a Planning Commission, consisting of the permanent heads of central government ministries, and the nominees of the provincial governments with the Minister of Economic Affairs as Chairman.

The Korean boom (which coincided with the initiation of the Six-Year Programme) and its subsequent collapse, upset all the calculations of the Colombo Plan and necessitated drastic modifications to it. The government adopted, in April 1951, a Two-Year Priority Programme for 1951/1952 and 1952/53, costing Rs. 505 million, almost half of which (Rs. 225 million) was to be on projects not included in the Six-Year Development Programme. This two-year programme ran into heavy weather because of the stresses and strains caused in the economy by the bursting of the Korean boom.

The difficult economic situation, caused by the collapse of the Korean boom, led to the appointment of an Economic Appraisal Committee by the

government. One of the main functions of this committee was to review the progress of development. The findings of this committee with respect to planning were ambivalent. While it pleaded for "more orderly and integrated" planning, it did not recommend the establishment of a new organization to engage in this "orderly and integrated" planning. It felt that the existing organization, if it could be made to work adequately, could fulfil this supremely important task. It was as well that the government did not agree with the committee, and proceeded to create a Planning Board in July 1953.

In his description of the early planning experience, Mr. Waterston has not sufficiently taken into account one factor of great significance. In my judgment, the failure to create an effective plan organization in the country in the early years of Pakistan, despite a clear perception of the need for planned approach to development problems, was, to a considerable extent, due to the attitude of the first Finance Minister of Pakistan, the late Mr. Ghulam Mohammad. He was a financier of the old school, firmly believing in the supremacy of the Ministry of Finance and swearing by the virtues of tight expenditure control. The creation of an effective planning organization, which would have resulted in the whittling down of the financial sovereignty of the Ministry of Finance, was anathema to him. The Planning Board could only be established when Mr. Ghulam Mohammad was succeeded at the Finance Ministry by a person who was much more imaginative and dynamic in his outlook.

III

In his discussion of the First Five-Year Plan (Chapter IV), Mr. Waterston has described the difficulties into which the Planning Board ran. The Board was created as a temporary organization, being given fresh leases of life after short intervals. One of its members was the permanent head of the Economic Affairs Ministry—itsself a wholtime job. The Establishment Division did not cooperate with the Board in making available to it the services of the members of the Central Superior Services, and the low salaries which the Board could offer did not attract persons with talent. The Board could only attract retired persons, or persons who for one reason or the other could not be employed remuneratively elsewhere. It was popularly known as the 'Frustration Board'; the lines of demarcation between the Planning Board and the Economic Affairs Ministry were not clearly drawn, resulting in unnecessary friction; the Ministry of Finance was always uncomfortable *vis-a-vis* the Board and did not extend to it the desired degree of cooperation; the provincial governments, for a long time, also did not appreciate the true significance of the Board's work and considered it a fifth wheel in the coach of the Central Government and consequently no effective planning machinery was built up in the provinces.

In spite of these difficulties if the Planning Board was able to function with some success in the early years of its existence, it was due to the unswerving support of the Minister of Finance and Economic Affairs, with whom the Chairman of the Board had a personal equation based on mutual esteem.

One general difficulty in the formulation of the First Plan, to which Mr. Waterston does not draw adequate attention and which greatly bedevilled the work of the Planning Board for the first three years of its existence, was then prevailing atmosphere of political uncertainty. The Constitution of the country was being evolved, and till March 1956 this process was not finalized. In October 1955, the erstwhile provinces and states of the western region were merged into a single unit. East Pakistan also experienced rapid political changes from March 1954 onwards. Thus, the tussle over the Constitution and political instability in the country exacerbated the inherent problems of plan formulation. The nature of the planning machinery flows from the distribution of political and economic powers in the Constitution. Obviously, it would have been inappropriate to present a plan to the country without taking into account the fundamental law of the land. The fact that the Plan, although covering the period April 1955 to March 1960, was not released in draft form till May 1956 was due to the insistence of the then Prime Minister to postpone its release till the announcement of the Constitution.

Personally, I am of the view that it would have been far more appropriate if the Plan were to commence from April 1956. There was a certain amount of unrealism in keeping the Plan's commencement date at April 1955. The province of West Pakistan was not in existence at that time. Moreover, devaluation of the rupee, which had necessitated the re-working of all cost estimates of the Plan before it was presented in draft form, had taken place at the end of July 1955. The Constitution which provided the guidelines for the social and economic objectives of the Plan was passed in March 1956. All these considerations should have urged postponement of the initiating date of the Plan, by one year at least.

With respect to the formulation of the First Plan, Mr. Waterston has rather uncritically accepted whatever has been stated in the Plan document. This gives the impression that the Plan's development programmes were subjected to rigorous tests of 'efficiency' and 'consistency'; and the composition of the development programme, as it finally emerged, was almost 'ideal' in terms of the objectives of the Plan. This is far from reality. The First Plan, because of the basic deficiencies of data and qualified technicians, was prepared with 'pragmatic' techniques. No input-output tables were constructed, although the input-output approach was used. The basic weakness of the First Plan was

that it was not adequately backed by soundly conceived projects to implement it. According to Albert Hirschman, "good planning" means simply to have studied and prepared thoroughly a given project, that is, to have ascertained whether it corresponds to a real need, whether proper engineering and market studies have been made, whether full financing has been assured so that it will not remain half completed for years, and whether alternative ways of filling the same need have been explored and rejected for good reasons"⁴. Judged in the light of this test, the First Plan was very unsatisfactory.

It has been estimated that projects for which reasonable data were available accounted for perhaps 30 per cent of the total development outlay proposed in the Plan. In view of this grave deficiency, all the efforts made in the Board to determine the optimum composition of the development programme on the basis of expected costs and returns from investment were generally pointless if not misleading. In this context, another quotation from Hirschman will not be irrelevant: "Total integrated economic planning could and often does co-exist quite amicably with, and may serve to cover up, unregenerated total improvisation in the actual undertaking and carrying out of investment projects"⁵.

Another deficiency of the First Plan from the standpoint of 'scientific planning' was the concept of shortfall. The Plan proposed a total provision of Rs. 9,352 million in the public sector and assumed a shortfall of 20 per cent which resulted in a net allocation of Rs. 7,500 million. The provision of a 20-per-cent shortfall in the public sector, without an indication of its sectoral and regional incidence, seriously impaired the validity of the 'consistency' tests of the Plan.

The First Plan's discussion of its financing was also characterized by some confusion. 'Deficit' financing (*i.e.*, borrowing from the banking system) was expected to be of the order of Rs. 1,500 million. At the same time, it was estimated that surplus agricultural-commodities (under US Public Law 480) would yield counterpart funds to the tune of Rs. 1,770 million. Thus, as against the Plan's expectation of 'deficit' financing of Rs. 1,500 million, there was built in a net contractionary influence on money supply of the order of Rs. 270 million. The planners do not seem to have grasped fully the monetary implications of the sales of surplus agricultural-commodities. (In actual practice, however, the situation was quite different. Bank-borrowing actually amounted to Rs. 2,578 million, accumulation of counterpart funds was only Rs. 827 million, and net deficit financing Rs. 1,751 million).

⁴ A. Hirschman, "Economics and Investment Planning: Reflections Based on Experience in Colombia" in *Investment Criteria and Economic Growth*. (Bombay: Asia Publishing House), pp. 38-39.

⁵ *Ibid.*

A further important inadequacy of the First Plan was that it failed to articulate a positive policy concerning the country's most important economic and social problem, *i.e.*, population. The planners almost ignored this explosive dimension of Pakistan's development problem.

Despite the foregoing criticisms of the First Plan, the present reviewer has no hesitation in wholeheartedly supporting Mr. Waterston's statement that "the Plan . . . was an exceptionally well written and comprehensive model of its kind . . . the document was virtually a primer on planning, planning organisation and the problems facing the public service in implementing a national development plan"⁶.

In his discussion of the implementation of the First Plan, Mr. Waterston has clearly brought out the adverse impact of the separation of the planning function from the budgetary process in the first three years of the Plan. The picture, however, changed in 1959/60, when the planners' responsibility for the preparation of the annual development programme was fully accepted. It may be mentioned here that, for the first four years of the First Plan, the planning agency was considered irresponsibly expansionist by the Ministry of Finance. It was especially unfortunate that for the financial year 1957/58, when the then Finance Minister overruled his own staff and accepted the Planning Board's advice about the size of the development programme, the resource projections of the Board turned out to be overpitched by a wide margin.

Other features of first-plan implementation brought to light by Mr. Waterston are: the inadequacies of Pakistan's administrative machinery to meet the challenge of the Plan; the ineffective discharge of its responsibilities by the Projects Division on account of the shortage of competent personnel; lack of adequate project preparation; overemphasis on big projects to the neglect of small ones which could yield quick results cheaply; a lack of cost consciousness on the part of many public servants in charge of development projects; and the absence of popular enthusiasm for the objectives and substance of the Plan.

Notwithstanding the above-mentioned handicaps, the First Plan was not an unrelieved story of failure. It is a story where sunshine and shadows are strangely mixed. In financial terms there was 90 per cent fulfilment of the Plan. National income increased by 12 per cent as against the target of 15 per cent; there was a considerable build-up of the 'infrastructure'. Awareness of the importance of planning increased; and the economy was ready for a further big stride in development.

⁶ Waterston, *op. cit.*, p. 47.

IV

In his discussion of the Second Five-Year Plan, Mr. Waterston notes the favourable milieu in which it was prepared as well as the distinct improvement that had by now taken place in the capacity and status of central and provincial planning-agencies. Despite the fact that the provincial planning-authorities were much more active than in the period of the formulation of the First Plan, the Second Plan when it finally emerged was mainly the work of the central planning-agency. In 1959 the institutions of basic democracies had added a new dimension to the planning process. This system of grassroots democracy provides an effective instrument for local planning and for eliciting the support of the people for the rewarding, though hard and unspectacular, task of development. In the formulation of the Second Plan, however, the basic democracies could not be of much help, because at that time these were in a fledgling state.

The Second Plan, unlike the First, was prepared and approved by the government before the commencement of the period of its operation. The suspension of normal political life of the country, at the time of its formulation and approval, also greatly protected the Plan from extra economic pressures.

The Second Plan was formulated in the same pragmatic manner as the First. Though statistical data had improved somewhat, it still had many gaps and inadequacies. A reasonably reliable system of national accounts had not yet been evolved. Again, there were no input-output tables. Most of the research studies to provide factual and analytical underpinning for the Plan were not completed in time. Informed judgment and "guesstimates" were widely resorted to. The project portfolio of the Second Plan, though better than that of the First, was still far from being adequate. The treatment of the regional aspects of development was perfunctory.

As a result of these deficiencies, most of the basic numbers of the Second Plan had to be revised soon after its formulation. Hardly a year had elapsed before the Plan had to be recast. Its total size was increased by 21 per cent and the gross national product growth-target was raised to 24 per cent from the original 20 per cent.

The Second Plan is now in its fourth year and it looks as though its financial and growth targets will be, by and large, achieved.

Even in its revised version the Second Plan has many weaknesses. It has now, for instance, been definitely established that the foreign-exchange component of the Plan was overestimated. The maintenance requirements were also projected on the high side. On the other hand, the private savings have

been underestimated. The Commission's estimate of the requirements of bank credit by the private sector has turned out to be very much on the low side. The projections of the country's foreign-exchange earnings will also be bettered by a considerable margin.

Imprecision, of course, is inevitable in a plan covering a five-year period and based on imperfect data and inadequate studies. Such a plan needs constant revision to be in line with the changing economic situation and with new facts which come to light as a result of further study and research. In Pakistan, flexibility is preserved through the instrumentality of the Annual Development Programme. One, however, cannot help feeling that planning would have a firmer base if some reasonable bench-mark numbers could be established through the preparation of an input-output table for the economy.

A difficulty, which has specially come to light during the implementation of the Second Plan and which has escaped Mr. Waterston's notice, is the absence of masterplans for principal sectors of the economy staggered into five-year periods. In the absence of such 'masterplans' the preparation of projects with demonstrated economic and technical feasibility and in consonance with the long-term requirements of the economy becomes a very difficult task. This deficiency is now being repaired gradually.

Mr. Waterston has, very correctly, observed that project preparation and execution continue to remain the main headache of Pakistan's development authorities even in the Second Plan. The Central Development Working Party's valiant efforts in this behalf have not borne much fruit. Of late, the Central Development Working Party has also shown a tendency to relax its standards when approving projects. This relaxation has resulted in the aggravation of Economic Affairs Division's troubles with the various aid/loan-giving agencies. Project preparation can be satisfactory only when suitably staffed planning-cells are established in all agencies concerned with the preparation and execution of sizeable development programmes. At present, the planning cells are not attracting qualified talent because aside from their low pay and status, these posts do not carry any executive 'prestige'. There is an urgent need to enhance the status and salary of these posts.

Mr. Waterston has correctly drawn attention to an important factor which has seriously limited the effectiveness of the Central Development Working Party in the exercise of its review functions. That is the lack of soundly devised investment criteria for testing the feasibility of development projects and programmes. A number of obsolete manuals are used for determining the viability of different projects. It is the duty of the Planning Commission to repair this

deficiency as early as it can. The Commission, as a matter of fact, should prepare a development manual which should deal with all principal problems concerned with project preparation, execution and evaluation. The absence of such a manual is being keenly felt by all development-executing authorities in Pakistan.

The need for streamlining the accounts has also been briefly touched upon by Mr. Waterston. The importance of this cannot be overemphasized. At the present time, government accounts are in a messy state. There are huge sums of money in suspense account which is a repository of all unidentified expenditure. Final accounts for a large number of projects are not available for years after their completion. Proper and timely evaluation of a plan is not possible without a streamlined system of accounts operating on commercial concepts. Difficulties regarding the reconciliation of accounts are responsible for the nonappearance to-date of the final evaluation report of the First Five-Year Plan.

In the penultimate chapter of his book, Mr. Waterston makes a brief reference to the Third Five-Year Plan based on the statement of the Finance Minister in his budget speech for 1963/64, and on press reports of the statement made by the Deputy Chairman of the Planning Commission to the National Economic Council on the size and objectives of the Third Plan. The numbers of the Third Plan are yet tentative and its resources projections not very firm.

Possibly, by May of this year the contours of the Third Plan will emerge with some precision. Comments at this stage, therefore, are premature. I, however, cannot conceal my disquietude at the resurgence of the 'shortfall' concept, which to my mind is indicative of extreme wooliness in planning.

V

In the final chapter of the book, Mr. Waterston attempts an overall evaluation of Pakistan's planning experience. He concludes that the Planning Commission is now an accepted part of the government and that its position is no longer questioned, although it has not yet built up an adequate staff to discharge all its functions adequately and faithfully. At present, every attempt is made to relate the Plan with the monetary, fiscal, credit and other economic policies of the government by giving the Commission representation on all important government economic policy-making bodies. Moreover, the central ministries and the provincial governments now obtain Planning Commission's clearance before presenting to the National Economic Council (or its executive committee), the Governor's Conference or the Central Cabinet any new policy proposal of major economic significance. The two provincial governments which

under the terms of the Constitution share responsibility for economic planning with the Centre have to clear their annual and five-year development plans with the Commission. The Commission is also the pivot of the Central Development Working Party which is charged with the responsibility of reviewing and recommending for approval to the Executive Committee of the National Economic Council all development projects costing Rs. 5 million and above. The Commission does indeed occupy a unique and very powerful position in the governmental hierarchy.

The powerful position of the Commission and its active association with policy-making has no doubt led to certain disadvantages. The process of planning has sometimes become involved, at quite an early stage, with the politics of planning; and this has inhibited the Commission staff from producing independent expert advice free from political overtones. These disadvantages are, no doubt, real. Notwithstanding these, it would be a great mistake to reduce the Commission to purely an advisory body of experts devoid of any responsibility for economic-development decisions and with no access to economic policy-making bodies. In the context of conditions obtaining in Pakistan, this will lead to ineffectualness of planning, besides making it incoherent.

A serious shortcoming of planning, to which Mr. Waterston has drawn pointed attention in the concluding chapter, is the absence of public knowledge and enthusiasm for development. This, in the judgment of the present reviewer, can only be rectified if the political parties in the country make their appeal to the electorate in terms of clearly defined programmes of economic and social development. The institutions of basic democracies can also help tremendously in making the planning process broad-based, provided they are informed and inspired with a clear understanding of the aims and objectives of development plans.

The present reviewer would like to add some personal criticisms of the planning process in the country, which have been ignored by Mr. Waterston.

My first main criticism is that planning in Pakistan has been devoid of a social premise. The problem of inequality has not been given the importance which it merits. I disagree with my erstwhile colleague, Dr. M. Haq when in his recent book, *The Strategy of Economic Planning*¹, he says: "The underdeveloped countries must consciously accept a philosophy of growth and shelve for the distant future all ideas of equitable distribution and welfare state".

¹ M. Haq, *The Strategy of Economic Planning—A Case Study of Pakistan*. (Karachi: Oxford University Press), p. 30.

My concern with inequality is not solely based on considerations of the ethical virtues of a more just distribution of income and wealth, but on my firm conviction that in a poor country like Pakistan the masses cannot be expected to make sacrifices for development unless conscious and tangible steps are taken to reduce inequalities in income and wealth. In this connection, I would like to quote what a very eminent Indian economist, Professor D. R. Gadgil, has to say on this subject in the context of Indian planning⁸: "Many foreign experts who take a naturalistic view of stages of economic growth are apt to tell Indian critics of private Indian business that India is at present in the age of tycoons and that this will inevitably pass. Whatever that may be, it should be observed that in no country can tycoons possess the moral leadership required to evoke from the mass of the people willing self-restraint in national interest".

Professor Gadgil's observations are equally applicable to Pakistan.

Aside from inadequate emphasis on social aspects of planning, a further criticism that can be made is that the two five-year plans were based on the somewhat unrealistic supposition that substantial improvements in public administration, taxation, people's motivations and agrarian conditions could be achieved in a short period of time. Radical changes in these fields must be made if development in Pakistan is to attain speed and proportion, but good planning requires a proper scepticism about the speed with which basic reforms can be introduced in a short period of time.

I would also venture the opinion that the quality of Pakistani planning would have been improved, if better insights were available about the sociological landscape of the country. Planning in Pakistan has been too much the work of economists and administrators. Specialists in sociology and psychology have not been accorded due place. Since motivational changes play a crucial role in the economic transformation of a society, the staff of the central planning-agency should include some highly qualified sociologists.

Another shortcoming of planning in Pakistan has been the perfunctory approach to manpower budgeting. The two five-year plans failed to come to grips with the problems posed by manpower planning.

Planning in Pakistan has also been handicapped due to the absence of a clearly articulated long-term perspective for development. In the absence of such a perspective, it is difficult to form a proper idea of the structural transformation required for facilitating rapid growth. In certain fields, such as manpower planning, educational policy, water and electric development, it is absolutely

⁸ D. R. Gadgil, *Planning and Economic Policy in India*. (Bombay: Asia Publishing House.)

necessary to think in terms of 20-25 years' projections. When a five-year development plan is viewed in terms of a long-term perspective, the task of planning becomes simpler in many ways. One good result is that many of the conflicts which arise in a short-term plan resolve themselves when viewed on a long time-scale.

The absence of the perspective plan will not be felt in future because the Planning Commission is currently engaged on such an exercise.

An important factor which has sharply limited Pakistan's ability to implement its plans in a balanced manner, stems from the excessive dependence of the country on foreign aid/loans. The fondness of aid/loan agencies for conventional project-type assistance and the less-than-expected availability of flexible commodity aid/loans has resulted in creating considerable sectoral imbalances in plan implementation. Sectors like water and power, and transport and communications where it is easier to present conventional 'bankable' projects have forged ahead at a pace faster than anticipated in the plan, while very important sectors like agriculture and education, because of the small and diffused nature of their projects, have failed to keep pace with plan expectations. The requirements of aid/loan-giving authorities, in respect of detailed information about projects, have also been somewhat irksome and irrelevant. The tied character of most aid/loans has resulted in whittling down the real content of such availabilities, and has consequently pushed up the cost of development in the country. It is very difficult for a country which is as heavily dependent as Pakistan is on external aid/loans to protect its plan priorities.

My further criticism of planning in Pakistan is that so far most of the policy recommendations of the plan have been couched in very broad and general terms. The economic analysis of the Planning Commission has also proceeded at a very high level of aggregation. The Planning Commission has not been able to spell out in meaningful detail the implications of its broad policy-measures in specific situations. The Planning Commission, for instance, has been advocating a switch-over to a more labour-intensive technology without clearly spelling out how this is to be brought about. The Commission, in my view, ought to carry out a study of some big on-going projects with a view to demonstrating the feasibility of a shift to labour-intensive technology. Again, another pet child of the Commission has been 'social' or 'accounting' prices. Here also, no detailed recommendations as to how 'accounting' prices are to be applied in practice to various categories of capital, labour and land have ever been made. My experience of government planning tells me that unless policy proposals are translated into detailed recommendations

which the policy-makers can understand, their operational significance is going to be very limited. A further example of failure of the Commission in operational planning is the absence of a proper 'consumption' plan which will ensure that its savings, investment and foreign-exchange projections are realized in practice. Again, it is very difficult to distinguish in the aggregate framework of the plan the target variables, structural coefficients, policy instruments and exogenous factors in adequate detail.

The Planning Commission has also not succeeded in scientifically tying the physical and financial aspects of the plan.

My final criticism of the planning process is that no use has been made so far of input-output analysis for analysing the structure of the economy and preparing a consistent design of development policy. I can only hope that in the preparation of the Third Five-Year Plan input-output techniques will be used to provide a meaningful picture of the composition and formation of national income and expenditure and for giving an overall view of the working of the economy.

In the end, I wish to conclude my review by again saying that Mr. Waterston's study is an extremely perceptive and consistent assessment of Pakistan planning.