

# Some Comments and Reflections on “Planning Experience in Pakistan”

*by*

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## INTRODUCTION

Dr. Huda has earned our gratitude by elaborating in lucid terms the problems and experiences of planning in Pakistan [1]. As we approach the Fourth Plan we need to have a fresh look at past experiences so as to formulate the future plans in a much more realistic fashion than has hitherto been done.

Dr. Huda, in his Address, has raised many issues in this respect. My comments will be limited to the planning technique that has so far been pursued in Pakistan. My concern is basically regarding the changes, that we would like to see, made in the coming plan in this respect.

At the technical level, the formulation of a five-year plan has now become synonymous with working out a multisectoral econometric (consistency) model, which provides the basic framework around which the plan is built. However, setting up a macro-model is only a part of the plan formulation. A comprehensive model which purports simply to develop and test the consistency and optimality of an economic strategy is, at best, partially relevant to planning needs [5]. In fact, complete formulation of a five-year plan involves the following six categories of interrelated studies — the strength and realism of a plan depends on how satisfactorily these works are accomplished while a plan is formulated:

Macro-economic studies

Benchmark studies

Sectoral studies

Project studies

Policy studies and

Perspective studies

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## 2. MACRO-ECONOMIC STUDIES

The most important macro-economic study undertaken at the Planning Commission is based on a national terminal-year consistency model [4]. The model is highly aggregated in which only seven types of production activities are distinguished: agriculture, consumption-goods industries, intermediate-goods industries, investment-goods industries, construction, transport and other services. The model suffers from a number of weaknesses, the most serious of which is that it is a national and not an interregional model. It regards the whole country as a homogenous region and ignores regional differences in the structures of production and consumption. The investment targets appear artificial when viewed from the regional context.

Any realistic model adopted for plan formulation in Pakistan must distinguish between the two geographic regions of the country — East and West Pakistan. This is not only because the economic structures of the two regions are widely different, but also because the regional balance in development is an important national objective. In the formulation of the Fourth Plan, it is desirable that the basic macro-model be an interregional model and not a nationally aggregated one. Once the regional models are formulated within a national framework, they can then be integrated at the level of the Planning Commission to arrive at the national plan. The investment targets thus arrived at will be much more realistic.

## 3. BENCHMARK STUDIES

Benchmark studies should be undertaken first to provide upto-date information and basic data on levels of production, capacity use, *etc.*, for major sectors and commodities as well as rates of growth for the benchmark year of a plan; and second to provide a review of the progress of the programmes of the preceding plan.

One of the recurrent problems in economic forecasting and planning stems from the lack of current data on the performance of the economy. It happens not infrequently that to be able to forecast for the coming year one must first have the relevant forecast for the current year and of the previous year. Under these circumstances it is obvious that forecasting accuracy can most readily be improved by obtaining more current historical data and thereby reducing the forecasting period. A fairly naive one-year forecast will usually do better than a more sophisticated three-year forecast. One of the basic objectives of the annual plan formulated for the first time this year is to forecast performance of the economy on an annual basis. For the Fourth Plan, the benchmark studies should, therefore, fully integrate the Annual Plan for 1969/70 both at the national and regional levels.

The second objective of the benchmark studies is to review the progress of the major projects included in a given five-year plan and a prognosis of the schemes that spill over into the next plan. This is important in view of the fact that much of the additional output and a good part of the investment during the fourth-plan period will result directly from the third-plan schemes and commitments. Similarly, a large share of fourth-plan investment and most of the new commitments will not bear fruit in the fourth-plan period, but in the fifth and subsequent plans. Thus, our degrees of freedom in any given plan are considerably limited in this way. Benchmark studies should identify and evaluate these predetermined variables.

#### 4. **SECTORAL STUDIES**

A great deal of effort should go into studies intended to shed light on intrasectoral priorities. Such studies are essential in order to derive criteria and guidelines for sound development of projects that comprise the plan for sectors. These studies are also essential as a background to the exploration of intersectoral priorities. It is no good speaking of relative priorities of industry and agriculture in the plan, for example, when within each sector there are on the one hand very wasteful and foolish and on the other very profitable ways of spending money. First, within each sector the more foolish ways of spending money must be identified and eliminated — only then it becomes possible to talk of intersectoral priorities.

A few examples will illustrate the kind of questions that such sectoral studies should answer:

a) What should be the proper balance of growth in generation, transmission and distribution of power?

b) Which are the proper modes for various routes and kinds of traffic in the transport sector? In which areas should new capacity be added first? What is the proper balance between investment for capacity expansion and investment for higher productivity?

c) What industrial sectors should be developed most intensively? Should production be planned for the provincial, the national, or for the international market?

d) For education, what should be the balance of investment in primary, secondary, and higher education? What is the desired output-mix from the educational institutions? What is the proper balance between quantity expansion and quality improvement?

The answers to questions such as these will give a focus and a sense of direction to the progress of project development. Within a sector new project

proposals must not be a random process generated by the distribution of ideas over the agencies involved. Such proposals should arise from a set of long-term objectives for the development of sector.

### 5. PROJECT STUDIES

This introduces the fourth and perhaps the most important category of plan studies — the development of concrete projects and schemes. A plan may be worse than the sum of its individual projects, that is why consistency checks are required. However, it certainly cannot be any better. In the past there has been only a tenuous and rather incomplete connection between the sectoral targets and allocations and the underlying schemes. Many of the schemes included in the previous plans were at the time of plan formulation merely project titles, their physical and financial feasibilities hardly worked out. Under such circumstances, targets and allocations contained a large element of uncertainty. Consistency studies were in large part illusory. For the Fourth Plan, our objective should be to have an ample portfolio for each sector of schemes that have been fully investigated and elaborated. These portfolios should be sufficiently large so that an element of choice enters the planning process — it must be possible to choose from the set of possible projects a subset which together offers the most attractive returns on the money available for investment. A fully developed project proposal should be a necessary condition for the allocation of funds in the plan — it should not, however, be sufficient.

Detailed feasibility studies take a good deal of time and specialised consultants must often be engaged to undertake them. A large amount of statistical work and data collection is involved—there will be need for market surveys and demand studies of many varieties, cost analysis and the like. An important and unsettled question is to what extent the expertise and consultancy services available within the country can be utilised to take up at least a part of the work on a consultancy and contract basis. It is entirely likely that much of the work now entrusted to foreign consultants can be performed equally well and at less foreign-exchange cost by professionals available in Pakistan.

Another unsettled question is regarding the development of criteria for appraisal of various projects in the public sector. At this point of time no set of criteria for project appraisal for guiding the sponsoring agencies has been established. Implicitly, the planning agencies, including the Planning Commission, seem to be pre-occupied with the efficiency aspect of the project appraisal. No distinction is made between benefit-cost and cost-effectiveness analysis. As a result projects undertaken to correct market failure in the private sector and public expenditures designed to some aspect of the welfare of various disadvantaged groups (such as flood control project) are lumped together and are

usually appraised through the same efficiency criteria. The problem here is how far (and if at all), the efficiency content in the equity (welfare)-based public expenditure programmes be identified. Can a meaningful trade-off ratio between efficiency and equity be established for such programmes? Similarly how far the often mutually exclusive objectives of maximizing the growth of total income (efficiency), improvement of balance-of-payments position, the creation of employment opportunities (welfare) or maximizing government revenue are to be reflected and realized through project planning? The oft-repeated lament heard in the government circles that our project planning does not increase the government revenue in the short run has its origin in our failure to strike a balance amongst the various investment criteria such as these.

## 6. POLICY STUDIES

These studies would consist of investigations of the current policy framework and its impact on future development. In some areas government policies have not helped in realizing their objectives. For example, the private sector in East Pakistan has more or less languished during the Third-Plan period, despite the incentives that have been offered. It is obvious that the net impact of all government policies bearing on private investment in East Pakistan has so far been other than what we would have liked. It is essential that this situation is corrected for the Fourth Plan, particularly with regard to non-agricultural sectors in which shortfalls are likely to be most severe.

Similarly, the policies for removal of interregional disparities in income per capita have not been effective. It must be recognised that the basic policy of removal of interregional disparity through the instrument of public development expenditures will not be of much avail, when the offsetting factors of non-plan expenditures, revenue and defence and private investment expenditures operate. As Dr. Huda has pointed out, the effects on income and employment of capital and revenue expenditure are equally important and in future plans it is necessary to take into account the impact of future revenue and non-plan expenditure as well in planning the aggregate income growth of the nation as well as the provinces. A fear is expressed in some quarters that policies for accelerating the growth in East Pakistan that take into account the impact of allocation of total resources rather than development expenditure alone, will perforce bring down the growth of West Pakistan. In actual reality, if it is so then the clear implication is that the growth in West Pakistan is competitive with the growth in East Pakistan or in other words growth in one wing is at the expense of the growth in the other. If this be so, then it will be a most unhealthy situation that must be rectified at the earliest opportunity. Growth strategy in Pakistan should be so formulated and policies so devised and implemented that growth of the two wings is complementary to each other and not competitive. In fact the higher growth in East Pakistan should complement and foster a

higher growth in West Pakistan or *vice versa*. The reverse of this need not be acquired by the planners.

The private sector has so far been accorded a rather perfunctory treatment. The allocation for this sector in the Third Plan has been merely indicative—no specific policy package was formulated for ensuring the realisation of the targets, nor the sectoral allocations rigorously integrated with the public-sector programme. The income, employment and distribution effects of the private-sector allocations were also not spelled out. In the Fourth Plan, private-sector planning should be accorded a much more rigorous treatment so as to achieve complete integration with the public-sector programming. It is in this context that the poor performance of the private-sector investment in East Pakistan during the current plan needs to be evaluated. The causes can then be better identified and specific policies necessary for its activation in the Fourth Plan well formulated.

Ideally, for developing sectoral policies, a generalised approach to capital accumulation may help in formulating correct strategies. It may help to approach different investment complexes or policy packages (the components of which are complementary) as substitutes in a strategy for development. The pay-offs of such complexes or packages could in principle be compared and the feasible package identified and recommended.

## 7. PERSPECTIVE STUDIES

The division of a plan period into a period of five years is rather arbitrary, when we consider the gestation period of projects included in the plan. Many of the projects formulated within a particular plan period are not completed within the plan, but spill over onto the next. Rigorously speaking, the optimum length of the plan period should be based on the average gestation period of the project-mix of a particular plan—the longer is the average gestation period, the longer should be the length of the plan period. As a rule, the physical and social infrastructure schemes—water resource development, regional planning and urbanisation, power, transport, education and manpower—have a longer gestation period which embraces more than one five-year plan. To maintain continuity and bring them into full fruition, these schemes must be envisaged on a long-term perspective basis. In the final analysis, the objective of bringing about fundamental structural changes can be conceived and realised only on long-term or perspective-plan basis.

With increasing emphasis on quality of manpower in the future plans, a perspective plan for manpower covering ten or more years has become essential. The interrelated demand for skilled manpower in various branches of the economy such as industry, transport, construction and housing, services and so on and their likely supply can only be established on a long-term perspective basis.

The major infrastructure sectors—power, transport, construction and other utilities—have the common characteristics that:

- a) they are closely related to physical expansion of the economy and hence potential bottlenecks;
- b) their production shortfalls can not be made good, since they are non-importable;
- c) they are expensive, so that excess capacity immobilizes large capital investments; and
- d) they generally have long lead-time so that advance planning is inescapable.

To plan for adequate, but not excessive, expansion in these sectors a macro-economic model of the economy is required that will give long-term projections of the growth, composition and probable location foci of the sectors over the perspective-plan period. For obvious reasons, such models must be formulated on regional rather than national basis.

With the completion of the Third Plan, many of the assumptions of the existing Perspective Plan will need revision. The targets for the regional income growth and the costs and timing of growth need fresh appraisal particularly from the regional point of view. A feasible approach is to formulate regional perspective models of growth and then integrate the regional models to arrive at the national perspective plan.

## 8. THE PROBLEM OF STATISTICAL INFORMATION

One of the forbidding difficulties in the plan formulation in Pakistan has been the lack of statistical data and quantitative information of various kinds. Our limited capacities to gather the required information have in the past thwarted attempts to draw up more realistic planning models. As a result both the macro and project planning has suffered and it has not been possible to create common planning assumptions among sectoral planning agencies. As we approach the Fourth Plan we are still faced with major statistical deficiencies in a number of fields. At the macro level there are large information gaps on the aggregate variables. Consumption, savings, investments, the money supply—even these fundamental aggregate concepts are matched by only the most rudimentary statistical counterparts. As a result we have often to measure the aggregate through proxy variables and imputations. At the sectoral level, the gaps are more revealing. There are large gaps in our statistics of production, capacity, cost structure, use pattern, and rate of growth. At present we seem to

have reasonably good statistics on:

- Government (consumption, savings and investment)
- Major crop production
- Large-scale industry
- Power
- Organised transport
- Organised water development
- Urban construction

We have little or only rudimentary statistics on:

- Small-scale industry
- Rural construction
- Non-mechanised transport
- Trade (excepting interregional and foreign)
- Livestock, fisheries and forestry
- Minor crop production

In other words, we presently lack in statistical information on perhaps one-half of the economy. This is a rather disturbing situation and we refuse to be easily consoled by the thought that the areas about which there are large statistical gaps are those which cannot be easily influenced by development programmes and policies, any way. In all probability, it is likely that our lack of knowledge impedes our ability to devise suitable programme to stimulate development in this half of the economy. For these sectors what is required is much improved benchmark data on production, capacity, growth, cost structure and input requirements, so that more adequate provision can be made for the fourth-plan growth. Well-designed and executed sample surveys can provide us with upto-date information on a number of these sectors.

The overall research activities should also be geared to the requirements of plan formulation. Conceptually "research can be viewed as a production process in which various kinds and quantities of inputs (services of researchers, research materials, equipment, *etc.*) are used up (costs incurred) and various kinds and quantities of new knowledge (packages of information) are generated. The seeming objective (of research) is to maximize the discounted positive difference between the total value of the information turned out and the total value (cost) of the resources used up" [2, p.131] Within this pragmatic definition, several high-priority research areas directly helpful for the plan formulation suggest themselves (for a list of research studies formulation, see [3]).

Of necessity such research activities will have to be largely located in our educational and research institutes. To achieve this goal, a more active partnership between the government and the universities and research organisa-



tions should be ensured. The advantages will be obvious. The example of other countries, where professionals from the academic and business worlds have played active and significant roles in economic policy formulation and planning is certainly applicable here. We will benefit from the detachment and technical competence of professionals and trained scholars at our universities and research institutions. The background studies and basic economic and social research that our institutions can contribute may form the building blocks from which the intermediate term or perspective plans can be constructed.

It is possible that there would be advantages to the institutions, to students and faculties alike. To submit one's work to the test of workability is an excellent training. In the academic world to further the analysis or to obtain more elegant results, we can make what assumptions we find convenient. In actual planning application, however, studies must be judged on their realism and relevance: results based on questionable assumptions are questionable. Planners cannot so easily assume away the institutional and political constraints, the lack of data, the market imperfections and so on. Similarly in the academic worlds we can often choose our research topics on grounds of expediency concentrating on areas in which the basic data are available and spadework finished. In actual planning exercise, however, attention is directed by the necessity of decision-making—decisions must often be taken whether our underlying knowledge and information is adequate or not and therefore planning exercises must often venture into relatively uncharted waters. For such reasons as these, the involvements of the academic institutions and research bodies in a pragmatic research programme would expose them to a different and stimulating discipline to our mutual advantage.

### 9. CONCLUSION

In order to make planning real it is necessary that persons outside government agencies also participate in the formulation of a plan. It is now universally accepted in the country that planning is desirable. We now have the task of putting across to the public what planning really implies and what role they are to play to make it a success. Thousands of people working at various levels should be informed of how to formulate, execute and evaluate a plan and what background information, desk and fieldworks are involved for this purpose. Wider dissemination of ideas and participation of the people in its formulation will provide the popular support that is fundamental for success of any plan.

This is also necessary for technical reasons as well. Even when a plan is internally consistent, it may fail to incorporate social and political factors—group goals, structures, skills, incentives and attitudes, *etc.* into the analysis on which the plan is based. They are instead likely to be glossed over in aggregative assumptions, expressed in such aggregate coefficient as 'capital-output

ratios', which depend precisely on such unexamined factors. Second, most plans in general (including our own) fail to specify the steps — the necessary sequences of actions to be taken by a greater variety of people — by means of which the desired outcomes may be reached and consequently these steps are often not taken. Management aspects of the project formulation and implementation must, therefore, receive our serious consideration henceforward.

The gain to be obtained by associating the people right from the stage of formulation of the plan will be to convince the people that planning is a continuous process involving the entire social, political and economic structure of the country. It will help in breaking down the distinction between planning and policy-making, not normally thought of as part of planning. It will equally help in breaking down the distinction between planning in the sense of preparing the document and implementing the plan. Recent decision of the government to publicly debate and discuss the Fourth-Plan programmes and policies is an entirely welcome step. However, how the feed-back between the planners and the people is to be established and reflected in the actual formulation of the plan is a complicated matter which requires further analysis.

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