

**DEVELOPMENT PLANNING IN PAKISTAN:  
A REVIEW OF PAST AND PRESENT**

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**INTRODUCTION**

The Indus Civilization lies within the geographical boundaries of Pakistan and thus Pakistan is the oldest country on the archaeological map of the world. The big cities flourished on the bank of Indus river plains, part of which forms the present provinces of Punjab and Sindh. Alexander, the great, went across the width of modern day Pakistan establishing outposts of his brief Empire. The deep impact of the world's great religions viz. Hinduism, Buddhism and finally Islam on the social and cultural values on the life of the people of subcontinent, is deep rooted. Later during the British days the secular values had also a considerable impact on the social behaviour of the people, which also intermingled with the social and cultural values. This is the old part of Pakistan and the new part is reflected in the events, which have occurred since August 1947. After independence, the process of planning and economic development has delayed due to socio-economic crises, the newly established country was facing during its earlier period after its birth. Pakistan was consisting of those parts that were on the periphery of political and economic centres of British Indian Empire. The Bengal had been an agricultural land of the Indian Empire and had served the commercial centre of Kalkota. With independence, the export crops cultivated in these areas to produce necessary foreign exchange for the new nation. It was not producing food to meet the needs of large population, which created problem for Pakistan.

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West Punjab was part of northern India's "Bread Basket". On the contrary, Sindh, N.W.F.P., and Balochistan together had negligible values. Thus, there was no industrial base in the then East or West Pakistan in 1947. None of the major cities like Karachi, Dhaka, Lahore and Rawalpindi were commercially significant, nor was there any skilled or professional new power during British period. The mass immigration of educated skilled Muslim population to Pakistan provided man power to the newly created nation, which gave rise to its first economic development. The commulative result of this migration was a burgeoning of population in the western provinces of Pakistan and particularly Sindh was the province, which was over-burdened. The Indian educated Muslim who migrated into Pakistan became the base for national development. Thus during first decade of independence this burgeoning of population dominated political and economic decision making and laid down foundation for the future economic growth.

The October 1958 coup de'tat led by General Mohammad Ayub Khan was the first martial law. General Ayub Khan began to rule the country, which lasted for just a decade. This era of Ayub Khan broken the post-economic policies of its first decade and in fact provided the structural base for economic and social development on sound footing that even continues today. Ayub Khan placed high priority on economic and social progress. It mobilized domestic and important resources and provided the proper impetus to continue to large private investors for the purpose of industrial development and managed economy to administration goal, the basic democracy. Central Planning Commission and Provincial Planning Departments were established. Although very few experts were involved in decision making, however, significant progress was made in terms of micro-economic growth. Ayub's power

began to crumble as a result of Indo-Pak war, opposition in public against Martial Law and the continuous martial law regime. Ayub was replaced by Gen. Yahya Khan. He founded the economic development as such. The civil war was followed by the emergence of Bangladesh as an independent state during the Yahya interlude (1969-71) and then the assumption of political power by Z.A.Bhutto in December, 1971.

During Z. A. Bhutto regime, economic growth once again came to the forefront of the centralized economic planning, which gave way to highly personalized adhoc planning, resulting the two institutions of power: the military and civil bureaucracy. Both were brought under the direct supervision of Bhutto and his party leaders. The desire of oil rich countries to develop their economies created a great demand for professionally skilled as well as unskilled labour. Pakistan had a surplus of manpower, which Bhutto promoted with the new Islamic identity and made them a formed commodity of the Gulf States.

During the seventies, millions of Pakistanis migrated as temporary workers to the Gulf. In the early eighties, workers remittance were over US \$ 6 and \$ 3 billion per annum and accounted for Pakistan's largest single source of foreign exchange. Middle class supported Z. A. Bhutto. The other movements were satisfied with the return of democracy by Z. A. Bhutto and PPP. The fear of nationalization of big industries, economic and political style of Z. A. Bhutto was a disillusion. There was no productivity to his appointments. The dream of middle class could not be accomplished with the idea of Islamic socialism. Z. A. Bhutto did not win the support of middle class who brought him in power in 1971; as a result, the martial law was imposed in the country by General Zia-ul-Haq.

After the execution of Z. A. Bhutto, General Zia-ul-Haq did not face any kind of opposition to his continuation. President Zia introduced an advisory council (Majlis -i-Shura), Islamization of Society, Zakat, Ushar and abolition of Riba (interest charged on loan). Ban was imposed on liquor, whitting of Islamic nation, which was initiated by Z. A. Bhutto. Islamization then, replaced Islamic Socialism, which in its turn replaced westernization in terms of economic and social modernization as the official philosophy of State.

The first part of independence decade was a period of sluggish performance: the gross national product increased at the rate of 3.4 percent per year and per capita income by under 1 percent. But the sixties brought a change. The growth rate doubled and there was rapid increase in personal income. The seventies saw some deceleration in the growth rate of gross national product but the rate, however, was above the level of the fifties. The growth rate in the early eighties has been as spectacular as in the sixties.

The Government of Pakistan in early 1948 established a Development Board, which was coordinating the development plans prepared by provincial governments. At the same time, a Planning Advisory Board was also setup to advise Government on the matters relating to planning. However, a critical review of all the five year plans is given in an ordinal number.

#### **THE COLOMBO PLAN**

The Colombo Plan was a regional plan formulated for member countries of the Common Wealth belonging to South and South East Asia. It had

formulation of common wealth consultative committee, which had assigned the task of accelerating the pace of economic and social development in the region. Each member state assigned the task of submitting a list of development schemes for consideration of the consultative committees, which were later incorporated into a comprehensive regional plan called as a Colombo Plan.

The Plan covered a six year period from 1951 to 1957. The size of the Plan relating to Pakistan was Rs.3.050 million with an external assistance component of Rs.1.200 million. The projects included were prepared in haste without any proper framework. The operation of the Plan coincided with the outbreak of Korean War. The situation was very uncertain and fluid, and warranted the execution of certain vital projects on priority basis. A sharp decline occurred in the prices of the primary goods in the international market; decline in food grains also drained out the foreign resources from the country and this changed economic condition badly affecting the development planning in Pakistan.

All this required a recasting of whole planning process with a certain shift in emphasis and direction of the ongoing plan. Under these changed circumstances, the Development Board was replaced by a new economic organ named as "The Planning Board" in July 1953 as stated above. Its terms of reference included among other things, the preparation of medium term national plan starting April 1954. The new organ also had to work under various constraints such as the poor data base, shortage of trained personnel, lack of clear demarcation of its rights and responsibilities in the power hierarchy, continued opposition, and resentment of other financial organs and institutions, and absence of close support

with the operating agencies. These factors obviously had their toll, and draft plan could not see the light of the day until May 1956.

#### **FIRST FIVE YEAR PLAN 1955-60**

The Plan was published in 1956 and after setting public opinion, it was revised in 1957. The total development expenditure of the Plan was estimated at Rs.10.800 millions. The strategy of the Plan was growth to strategy. The main objectives of the Plan were to increase national income by 15%, raise per capita by 7%, and create two millions jobs. The First Five Years Plan covered the period of 1955-60 but the Plan was delayed and it was actually started in late 1957, when two and half years had already passed. "The Planning Commission also expressed the view that Plan was a story of success and failures".

The First Five Year Plan was delayed and in some sectors it gave the positive results, in some sectors it was totally failure.(1)

#### **SECOND FIVE YEAR PLAN 1960-65**

The total development expenditure size of the Plan was estimated at Rs.23.000 millions:(2)

Public Sector	Rs.12.401 millions
Semi Public Sector	Rs.03.794 millions
Private Sector	Rs.00.605 millions

The targets were to increase national income by 24%, to increase per capita income by 12%, to create 3 millions new jobs. The strategy of the Second Five Year Plan 1960-65 was growth strategy. The Plan was a successful Plan. Priority was given to the agriculture sector. This period (1960-65) was also characterized by

internal peace and political stability and political process received support of the government. The Planning Commission was manned by professional economists and technical personnel and had also the expertise of a "Harvard Group" of economists at its disposal. It was primarily under the influence of this group that the direction of economy was determined and the objective of planned economic development was sought to be realized through market mechanism, and the ascendancy of private sector.

### THIRD FIVE YEAR PLAN 1965-70

The Third Five Year Plan 1965-70 was thus launched on optimistic note in the background of credible performance of the economy during the second plan. This Plan was also formulated within the framework of the perspective plan of 15 years. The total development expenditure size of the Plan was estimated at Rs.52.000 millions:

Public Sector	Rs.03.000 millions
Private Sector	Rs.22.000 millions

The objectives were to increase national income by 30%, to create 4.5 millions new jobs, to increase the growth by 5% per annum. "The Third Five Year Plan had an unauspicious and disastrous status. The war between India and Pakistan in Rann of Kutch was fought in early 1965. It divorced resources from development to defence. The Plan also suffered on account of stoppage of economic assistance by U.S.A."<sup>(3)</sup> The unceremonial end of the war also rocked the very bottom of political stability, which remained the hall mark of pre-war period. There were talks of gross inequalities of income and wealth and emergence of the proverbial 22 power industrial houses. All this provided

the necessary ignition to the potential agitation launched for the over-throw of the government and the economic philosophy it stood for. The Third Plan, though well conceived, was thus only a partial success which too was partly attributable to the growth momentum generated by the economy in the second plan. The transformation of the political conditions from one of the relative stability to that of complete chaos and uncertainty also had an adverse impact on the fortune of the planning agency.

The Military coup of General Ayub Khan in 1958 imported an imbalance of political stability and the new government also under took a drastic re-orientation and revitalization of planning agency. The National Planning Board was renamed as the "Planning Commission" and important structural changes were brought about to make it more effective and viable. Its status was raised as it became division in Presidential Secretariat. In order to import added measure of responsibility to the Planning Commission, the Chief Executive was made its ex-officio Chairman and a full time operational head was also appointed as Deputy Chairman. Other important steps included the establishment of Planning Cell in important ministries and departments, representation of the Commission on all important economic decision - making organs such as National Economic Council (NEC), the Executive Committee of the National Economic Council (ECNEC), Industrial Investment Schedule (IIS), Foreign Exchange Control Committee (FECC) etc. The Commission was also solely responsible for the preparation of the Annual Development Plan (ADP).

#### **4TH FIVE YEAR PLAN 1970-75**

This plan was also prepared under the framework of perspective plan (1965-75). The total development

expenditure size of the Plan was estimated at Rs.75.000 millions. Its objectives were to increase annual growth rate by 5.6% in G.N.P, to increase the per capita income by 23%, and to provide 7.5 millions new jobs.

Public Sector	Rs.49.000 millions
Private Sector	Rs.26.000 millions

The Fourth Five Year Plan launched a mind of great uncertainties and lacked vital support and commitment of government, which was preoccupied with tackling of the tangled political scenario. The Planning Commission, therefore, obliged to keep a low profile with its image badly tarnished and the government also obliged to keep it at a distance. The Fourth Plan, which was almost a non-starter from the very beginning became absolutely irrelevant under the dramatically changed political landscape. This followed a difficult period of distress for the Planning Commission as professional economists and other highly skilled personnel left its ranks under frustration. The Pakistan Peoples Party government did not look upon the Commission's part in a favourable light due to its close proximity with Ayubian economic policies. The new government altogether abandoned medium term planning and switched over to short term planning. The Annual Development Plans became the main instrument of planned development. Thus the period 1972-77 is marked by "ad hoc" planning with major reliance as annual plans. The period was also characterized by a major shift in the economic strategy followed thus far. The G.N.P. growth strategy stood discredited was replaced by that of social justice, which also brought in trial nationalization of basic industries with a view to enabling the government to control the commanding heights of the economy.(4)

There was an invisible industrial strategy in favour of production of capital goods with a view to bringing the economy to the stage of self sustained growth, which remains ultimate long-term objective of planned development. This objective was enshrined in the first perspective plan of the country 1965-85 but which proved to be quite elusive. The goal has drifted further plunging the country in ever monitoring debt indebtedness. The policy of nationalization was also stretched beyond safe limits. It engulfed the middle class business man too as cotton ginning, rice husking and flour mills were also taken over. This brings home the fact that even a well intentional policy of economic reforms may fail due to an over skill and garaging up of the vested interests.

#### **FIFTH FIVE YEAR PLAN 1978-83**

The total development expenditure size of the Plan was estimated at Rs.0.204 millions:

Public Sector	Rs.0.142 millions
Private Sector	Rs.0.062 millions

The strategy of the Fifth Five Year Plan was sectoral strategy and was concentrated on agriculture with the following objectives:

- Increase in G.N.P. about 7.2% per annum
- Increase in per capita income by 4.2% per annum

"For the financial terms, the Plan was fully implemented. But as a result of inflationary pressures and rising prices, the implementation showed a shortfall of 30% in the public sector and around 15% in the private sector.

A major development was the subsequent merger of Ministry of Finance and Ministry of Planning and Development. The merger was, however, short lived and was abolished with the concerning in to power of Muhammad Khan Junejo Government as a result of the 1985 general elections. The Fifth Plan (1978-83) was handicapped due to the political unrest, Afghan war and refugee influx, adverse developments in world economy such as oil crisis (1979), economic recession in the West (1980), and increase in interest rates (1981), while continued large inflow of remittances and number of policy measures aimed at revising the confidence of business community help to achieve a growth rate of 6.7% during the Plan period.

#### SIXTH FIVE YEAR PLAN 1983-88

The total development expenditure size of the Plan was estimated at Rs.0.490 millions:

Public Sector	Rs.0.290 millions
Private Sector	Rs.0.200 millions

The Plan aimed at rapid growth of the country and priority was given to the agriculture. The other aims were to increase G.D.P. by 6.5% per annum, to accelerate development of human resources potential through a five-fold increase in the expenditure on education and health to get rapid development of steel based engineering goods, modernization of textile industry, establishment of agro - industries for processing agricultural surplus and to provide well-focussed clear direction for industrial progress.(5)

In the Sixth Five Year Plan, agriculture was the government priority alongwith emergency and irrigation

systems. The emphasis has been given to the cooperation of private and public sector in the Sixth Five Year Plan. The Sixth Plan was partially successfully. The results achieved were most disappointing. "The success of the Plan depended on the agriculture sector. The sector with all out lays in it and incentives provided to the farmers failed to acquire the anticipated dynamism and register any significant growth of output. The Sixth Plan tuned in to a rolling Plan during the last two years of its life, can be regarded only a partial success".

#### **SEVENTH FIVE YEAR PLAN 1988-93**

According to the Seventh Five Year Plan, the growth performance though remained below the target, G.D.P. grew at 5% against the target of 6.5% agriculture 3.8% against the target of 4.7%, manufacturing 5.9% against the target of 8.1%, while other sectors 5.3% against the target of 6.7%. In aggregate terms over 7.4% of the incremental output targets were achieved. However, self reliance in the production of wheat, edible oils, iron, ore, crude oil and capital goods did not show any significant improvement. The Seventh Five Year Plan (1988-93) within the framework of the second perspective plan (1998-2003) also issued simultaneously, became the victim of political disorder, and social mayhem due to rapid succession of governments.

#### **8TH FIVE YEAR PLAN (1993-98)**

The total development expenditure size of the Plan was estimated at Rs.17.005 billions:

Public Sector	Rs.7.521 billions
Private Sector	Rs.9.484 billions.(6)

The aims were:

1. Attaining 7% per annum growth in G.D.P. by mobilizing domestic and foreign resources and efficient use of existing resources.

2. To increase 40% in G.D.P.

3. To increase per capita income by 22%.

4. To improve the level of employment by creating 6.2 million new job opportunities.

5. To reduce the rate of population growth, which grew 2.9% to 2.7% by the financial year.

6. To increase the literacy rate by 35% to 48%. In over all terms, planning would be focussed on strengthening individual initiative, private enterprise and market mechanism. Employment would be promoted by expanding productive avenues.

Let us cast a look at Soviet Union. The then USSR introduced its Five Year Plan in 1928 and Pakistan embarked upon medium term development planning in 1955, after her independence in 1947. There does not appear to be a big time lag between the start of two planning experiments. In case of perspective planning or long term planning the time gap is even narrow. The then USSR launched her first perspective plan in 1960 (1960-1980) while Pakistan initiated her first perspective plan in 1965 (1965-85). But while planning achieved the desired results in USSR and had been successful in transforming the backward agrarian economy of USSR

into an industrial giant of Europe and military super power of the world. Pakistan had been steeped in higher indebtedness and chronic deficits in her balance of payments. Was it the result of totalitarian set up of the Soviet Union? Did the relatively greater political stability in USSR prove decisive? Was it the revolutionary favour accompanied by economic discipline and self sacrifice, which won the day for USSR? In all probabilities all these factors contributed in the rapid transformation of the Russian economy. This is also true that it exacted a higher price in terms of political freedom and civil liberties, which an ideological State like Pakistan will not be prepared to pay. But Pakistan's biggest domain of disappointment has been in matter of fixation of national priorities. Pakistan founded in the choice of priorities, which results in the lopsided development of the economy. Foreign aid was expected to play the role of catalyst in the development process but in actual fact it became a part of the economic system. Since then Pakistan economic policy had to keep in terms with conditions laid down by donor agencies and last but not the least, is the local vested in habits blinded with their selfish motives and devoid of any national interest, which has played, however, with national aspirations.

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