A BRIEF HISTORY OF

PLANNING IN PAKISTAN

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When Pakistan started its economic career as an independent State, it did so with too few assets. Its national production was largely derived from crops grown on small units of cultivation. It received no industrial legacy worth the name since all the centres of modern industry in the Indo-Pakistan sub-continent happened to be located in areas that became Indian territory. The country was deficient in known mineral resources. The antiquated economy yielded a very low standard of living for the people whose majority lived on the margin of subsistence.

"Agricultural methods were for the most part primitive, and average yields were among the lowest in the world. Industry was nearly non-existent. Financial institutions to provide credit and to collect the savings and channel them into productive investment were rudimentary. The social services—education, health, housing, and welfare—were limited in quality as well as quantity. The systems of land ownership, business activity and family relationship had changed little in hundreds of years. The people living in the villages were virtually untouched by the scientific and social advances of the past two centuries". (The First Five-Year Plan p. 7).

There were quite a few persons who considered Pakistan's economic prospects to be bleak because it lacked industry and modern commercial and financial institutions and because its share of the sub-continent's known mineral riches was pitifully small. Some of them confidently predicted that the initial economic difficulties coupled with the Muslim's known lack of aptitude for commerce and industry and their inexperience in matters of economic and financial management would lead to the country's economic collapse.

Pakistan's ability to endure as a political and economic entity was put to very severe test by the disruption and upheaval that accompanied the partition of the sub-continent.

On the very morrow of freedom Pakistan was required to cope with the problems created by a transfer of population on a tremendous scale. There was the problem of providing food and shelter to several million refugees who poured into its territory from across the frontier. An operation of very great proportions had to be launched to relieve the distress of these refugees and to take care of their immediate needs. It made a very great demand on national resources and energies when it came to carrying out plans for their permanent resettlement. The large-scale transfer of population also affected Pakistan in another way. Many of the non-

Muslims who migrated from Pakistan were playing an important part in the economic life of the land as traders, money lenders, bankers, insurance-men and as leaders in the professions of medicine, engineering and law. The mass exodus of non-Muslims caused a great deal of dislocation by creating many gaps which could not be readily and completely filled by the incoming Muslims.

Before the leaders of the new country could begin to address themselves to the problems of long-term development they had to deal rather promptly with these and other effects of and demands made by Partition. The economic life of the land was in a state of complete chaos. The new Government was called upon to take measures to restore transport and communications and create conditions in which marketing relationships and other normal business activities could be resumed and commercial organisations revived. Another vital task was that of setting up a new central Government for the country and of re-organising the administration in the Pakistani parts of the divided provinces of the Punjab and Bengal, particularly in the latter.

The leaders and the people of the country were from the outset acutely conscious of the importance of starting the process of industrialisation. This was viewed as being the central task in the region of economic development. Of 921 factories employing 1,137,150 persons possessed by undivided India, only 34 (less than four per cent) employing 26,400 persons had come to Pakistan. And many of these were small units serving some simple needs. The Pakistan Government realised that conditions being what they were it was called upon to adopt a deliberate policy of promoting industrial development and play a commanding role in assisting and directing the growth of manufacturing.

The first attempt at industrial planning was made soon after Independence. The First Industries Conference, called in December 1947 and attended by representatives of Government and business, led to the formulation of a basic Statement of Industrial Policy. This envisaged the promotion of industries using indigenous materials like jute, cotton, hides and skins and the development of consumer industries which would save on imports. It favoured the grant of free scope to private enterprise, subject to certain conditions, arms and ammunitions factories and plants and facilities for the production of hydel power, atomic energy, railway wagons, telephones etc., were to be owned and operated by the State. The statement also dealt with such questions as industrial finance, protective tariffs, fiscal incentives and facilities of education, research and training and outlined the terms on which foreign private capital would be welcomed. The statement accepted the Government's responsibility for guiding industrial growth and creating conditions and facilities conducive to the growth of manufacturing enterprises. The principles embodied in the statement served for long as the bedrock of industrial planning. The high rate of growth of industry which the following years witnessed showed that the basic approached underlying the statement was sound and realistic.

In the years that followed Partition the Government undertook to supply some of the more glaring institutional deficiencies and set itself to certain vital tasks of reorganisation and improvisation so as to permit productive operations to be developed and the economy to move towards diversification. Within the first half of a decade several organisations were formed in order to fill serious gaps in different branches of national economic life. A Development Board was set up in 1948. An important landmark was the establishment of the State Bank of Pakistan in July 1948, with the object of re-organising and developing the banking and credit system which was hopelessly disorganised in 1947, owing to the flight of the non-Muslim personnel, which included those who occupied key positions in banking companies. An efficient organisation of the credit nd banking system was absolutely essential for economic progress. The State Bank moved on a wide front to supply tbis need. The National Bank of Pakistan was established in 1949, ahead of schedule, in view of the Indo-Pakistan trade deadlock that followed the non-devaluation of the Pakistan rupee in September, 1949. This new bank together with other banking organisations whose headquarters were in Pakistan began to play an important part in facilitating the movement of cash crops and in providing short-term credit for new industries.

But the credit system still contained no mechanism for accommodating the medium and long-term credit needs of industry or agriculture. A numbur of specialised credit institutions weie formed to meet these and other needs. In 1949 the Government established the Pakistan Industrial Finance Corporation to provide medium and long-term industrial finance and underwrite issues of stocks and bonds. (This Corporation was subsequently renamed as the Industrial Development Bank of Pakistan). The Agricultural Development Finance Corporation was formed in 1952 in order to fill the void which the departure of the Hindu money lender had caused in the domain of rural credit. (The ADFC and the Agricultural Bank were merged in 1961 into one organisation: the Agricultural Development Bank). The House Building Finance Corporation and the Refugees Rehabilitation Finance Corporation were set up in 1952 so as to integrate the displaced persons into the country's economic life. The operations of these institutions began to make a significant contribution to the development of the economy.

Several measures were taken to foster the growth of manufacturing and to facilitate industrial planning. The Protective Duties Act of 1950 established a Tariff Commission to recommend protection to nascent home industries lacking the strength to compete with foreign rivals. In January 1952, the Government established the Pakistan Industrial Development Corporation, now bifurcated into two provincial organisations. The parent

PIDC was set up in order to promote those industries of national importance which were not being sponsored by private enterprise because they either required large investment or did not offer quick returns. A Directorate of Cottage and Small Industries was also set up in 1952. The Government's powers of import control were used increasingly in support of its industrial plans and priorities. The open general licence was withdrawn in late 1952, and the Government began to reduce the importation of consumer goods and instead favoured, subject to the availability of foreign exchange, the purchase of capital equipment and raw materials to foster home production. Imports control thus proved an important tool for the promotion of industrial development.

The Planning Machinery

Events that took place at the time of independence and in the period following it had exposed the great weaknesses from which the economic structure of Pakistan suffered. The vulnerability of the economy posed a serious challenge. The political and administrative elite as well as the commercial community was therefore conscious from the outset that the national economy could not be left to take care of itself. It was widely felt that extraordinary efforts would be needed to break the stagnation of the economy and create conditions for its rapid and balanced progress. This object could not be achieved without the Government's assumption of heavy new responsibilities in respect of national economic planning and the implementation of a co-ordinated programme directed towards development.

The planning machinery and procedure have evolved slowly over a period of time. From an imperfect beginning two decades ago when it exercised very little influence on the course of economic life, the planning organisation has today come to acquire a position where it exerts a great deal of leverage on the Government and all public and private bodies engaged in one kind of economic activity or another.

The course of evolution the planning machinery has followed can be divided into three phases. The first phase covers the period between 1947 and 1953. In the immediate post-independence period before economic and administrative chaos had been fully overcome, the Government began to think about economic priorities, programming and co-ordination. A Development Board, a Planning Advisory Board and an Economic Committee of the Cabinet were set up in 1948. The following year saw the formation of the Ministry of Economic Affairs for the purpose of inter-ministerial economic co-ordination. The first formal exercise in planning was carried out by the Development Board, when it produced the Six-Year Development Plan (1951-57) envisaging an outlay of Rs. 2,600 million of which Rs. 1,200 million were to be financed externally and the rest raised internally. This Six-Year Plan was framed at the instance of the Consultative

Committee of the Colombo Plan (for Co-operative Economic Development of South and South East Asia). It was incorporated in the Colombo Plan and adopted by the Pakistan Government in November 1950. This Plan was in fact little more than an assorted set of different projects, each considered essential in its own right. It was taken to outline a flexible programme, and quite a few changes were made in it. This, however, does not detract from the significance of the portfolio of projects which the Plan embodied. As against the modest outlay of Rs. 2,600 million envisaged over a period of six years, actual expenditure in the first five years, exceeded Rs. 3,000 million.

The Six-Year Plan was formulated at a time when the country possessed no prior experience of planning and when its framers were severely handicapped owing to the lack of essential data in regard to the availability of human, physical and financial resources. The Government set up an autonomous administrative machinery comprising an Economic Council, a Planning Commission and a number of Sub-Commissions replacing the Development Board, the Planning Advisory Board and the Economic Committee of the Cabinet. But none of these elements which constituted the Planning organisation was quite equal to the task. Besides, the period which the Plan covered turned out to be one of very great economic uncertainity. This was caused by the Korean War boom and the subsequent recession. Thus what development took place did not follow the course charted by the Plan. Economic decisions were made by and large on the basis of such consideration as appeared to be relevant to the particular project in question.

The second phase in the evolution of the planning machinery began with the creation in July, 1953 of the National Planning Board, latter renamed the Planning Commission, and lasted a little over five years. The terms of reference of the Board included : a review of development since independence ; an assessment of the resources which could be made available over the five-year period beginning April 1954 (later changed to April 1955) ; the preparation of a national plan of development ; the making of proposals regarding the administrative machinery with a view to assuring the successful implementation of the Plan ; and the formulation of any other recommendations deemed essential to the success of the Plan.

The Planning Board found its task rendered immensely difficult by a serious insufficiency of statistical and staff resources. There was no tradition of economic planning worth the name to invoke. Besides the status of the Board was left largely uncertain. The ministerial and other authorities making economic decisions appeared to consider the process initiated by the Board as an encroachment on their rights. These and other factors caused delays in the formulation and finalisation of the First Five-Year Plan. The Plan was published in draft form in May 1956 for eliciting public opinion and as a basis for discussions with the Provincial Government and the

Central Ministries. The Board later revised the Plan in the light of these discussions and the comments that had been made and submitted it for the consideration of the National Economic Council in February 1957. The NEC recorded general approval to its targets and programmes in April 1957, two years after the Plan period (1955-60) began.

The Plan offered an incisive analysis of the problems of economic growth in the circumstances obtaining in the country, defined the concept of balanced growth for the first time and contained excellent suggestions for adapting the administrative machinery to the needs of development and for carrying out vital institutional improvements. Also the Planning Board continued to offer advice on policy matters to implementing agencies during the Plan period. Unfortunately, however, the Plan's promise could not be fulfilled because there was no such thing as a firm governmental commitment to its execution.

The third phase in the evolution of planning organisation and procedures began with the change of political regime in October, 1958. The revolutionary Government showed a keen awareness of the need for bringing about such changes in the planning machinery in particular and the administration in general as would hasten the process of development.

A series of changes was introduced with the aim of raising the status of the Planning agency, institutionalising the planning process and integrating the national Plan's prescriptions and targets into the administration's practice. The President became the Chairman of the Planning Commission and the Deputy Chairman, the operational chief, was given the ex-officio status of a Minister. The Planning Commission was constituted into a Division in the President's Secretariat. As part of the attempt to build the development process into the working of the administration, Planning Departments were organised in the Provinces and Planning Cells set up in Ministires and departments. The Planning Commission is now represented on all high decision-making organs and bodies like the National Economic Council, the Executive Committee of the National Economic Council, the Central Development Working Party, which secrutinises public sector projects, and the Foreign Exchange Control Committee. The Industrial Investment Schedule for the private sector and the Annual Development Programme which is a part of the Budget, are formulated within the framework of the Five-Year Plan.

The Planning Commission

The main functions of the Planning Commission are : (*a*) formulation of the Five-Year Plan; (*b*) formulation of the Annual Development Programme within the framework of the Five-Year Plan; (*c*) planning for the private sector; (*d*) evaluation of economic progress; and (*e*) advice on economic policy.

Formulation of the Plan

The formulation of the Five-Year Plan is a fairly elaborate process. The Planning Commission evaluates the past performance of the economy and prescribes tentative targets in overall terms for national income saving, investment, taxes, imports and exports.

It also prepares an estimate in regard to the foreign resources likely to become available in the form of loans, credits etc. This tentative Scheme is modified in the light of discussions with all Government agencies concerned, and then submitted to the NEC for approval. After this is obtained, sectoral programmes are prepared and competing claims of projects are sorted out and adjusted. After the Plan is approved, its implementation takes place mainly through the instrumentality of successive Annual Development programmes. Of great importance is the observance of the discipline of the Plan and of its scheme of proportions and balances. The Plan can be altered when circumstances so warrant but not without the concurrence of the NEC.

The Annual Development Programme

The Annual Development Programme is a crucial component of the Planning process. It embraces projects which have been approved by the normal machinery of the Government after the due secrutiny at various levels—technical, financial and organisational. After the Annual Development Programme as proposed by the Planning Commission is approved by the NEC, it is incorporated into the annual budget. It goes without saying that the Finance Ministry has an important say in the determination of the size of the ADP because of the responsibility it bears for the mobilisation of resources.

The introduction of an Annual Plan from 1968-69 is intended to facilitate the co-ordination of development activities in both public and private sectors and to make possible a continuous review of development from year to year and the consequential adjustments that may be warranted. The Annual Plan is expected to include an evaluation of past performance, a presentation of the main targets, an assessment of the resources positions for the year, an outline of the investment programme in the public and private sectors and a broad outline of the economic policies that may be necessary to achieve the targets.

With the introduction of the Annual Plan, the process of planning has moved to a new stage in its evolution.

Planning for the Private Sector

During the fifties the Government sought to influence the conduct of the private sector by means of an elaborate system of direct administrative controls. Reliance on the regulation of prices, profits, credit, investment, and production impaired the working of the market mechanism. When this method was tiied out for a long enough period, it was found that cumbersome restraints were self-defeating and fettered the productive energies of the private sector without necessarily ensuring that businessmen conformed to strategic planning decisions. This realisation set in motion a process of the dismantling of these direct controls and their replacement by indirect controls in the form of fiscal and monetary devices.

These devices coupled with the market forces and import control have in the past few years been used increasingly to ensure the private sectors compliance with the strategic stipulations of the Plan. The chief instrument for directing the investment decisions of the private sector is the Industrial Investment Schedule which lays down targets for each industry in terms of the provisions of the Plan. Foreign currency and a part of local currency are provided to industrialists by PICIC and IDBP. Other means of control are the licensing of imports and changes in tariff rates.

The device of the Annual Plan will make possible the introduction of indicative planning for the private sector and enable the planning agency to provide better guidance to private enterprise. Allocations in this sector will remain permissive as hitherto, but the mechanism of the Annual Plan will make it possible to review policies and consider the position with regard to resources and incentives from year to year, thus bringing about improvements in planning for the private sector in the short run.

Evaluation of Economic Progress

Since the provincial Governments now shoulder the responsibility for putting the greater part of the development programme into execution, the progressing of projects is naturally their concern. Overall economic evaluation of progress under the annual and five-year Plan, however, remains the function of the Planning Commission. The Projects Wing of the Planning Division assists the Commission in the discharge of this function. The Commission appraises the successes and failures of each year and places a report before the NEC. Besides, it also issues special reviews assessing progress in the Plan's implementation.

In order to facilitate the task of evaluation of progress, the Pakistan Government constituted a Central Performance Evaluation and Co-ordination Committee in July 1968. The Committee comprises Secretary, Planning Division (Chairman); Secretary, Ministry of Finance; Secretary of the Ministry concerned; Chairman, Planning and Development Board, West Pakistan; Additional Chief Secretary (Development), East Pakistan; Chief Economist, Planning Commission; and Additional/Joint Secretary, Projects Wing, Planning Division (Secretary). The CPECC is required to perform the following functions: the laying down of criteiia for the appraisal and evaluation of projects; the carrying out of a review function in respect of the Provincial Performance Evaluation and Co-ordination Committees; the undertaking of assignments given to it by the NEC; the Governors'

Conference, the Central Cabinet and the Executive Committee of the NEC the setting up, where necessary, of Evaluation Teams and Working Groups to review the progress of particular projects or organisations; the appointment of advisers or firms of consultants to evaluate particular projects, programmes and organisations; and the organisation of the collection of data relevant to Project implementation and evaluation.

Advice on Economic Policy

A planning agency cannot possibly seek to take the job of economic policy-making, which is a part of the process of Government. At the same time the agency can scarcely carry out its task properly if day-to-day policies pursued by Government departments run counter to the Plan's requirements and assumptions. To secure the consistency of governmental economic policy with Plan targets, the Planning Commission is associated in different ways with the formulation of policies with regard to import licensing, investment sanctioning etc. Apart from this, the Planning Commission recommends certain policies in the Plan document itself. Also its experts have been attracting more and more assignments in the nature of the preparation of policy papers for the benefit of Government Ministries. The annual Plan Co-ordination Committee and the Fourth Plan Co-ordination Committee have taken the process of harmonising policy making and planning a step further by replacing ad-hoc co-ordination committees by standing and more institutionalised arrangements.

PLANNED DEVELOPMENT 1950-65

With the adoption of the six-year Development Programme by the Government in November 1950, Pakistan can be said to have made its first tentative moves in the direction of economic planning. Of course this was an imperfect beginning, and the concept of planning had to be developed, the infra-structural deficiencies supplied and the institutions through which planning could be carried on created before the planning process could begin to make an impact on economic life. The country addressed itself to this during the period of the First and Second Five-Year Plans. The First Plan (1955-60) helped create the institutions and the overheads that were necessary to lay the ground work for planned growth. The Second Plan (1960-65) carried this process forward and contributed to a rapid increase in national and per capita incomes.

In the period between 1950 and 1965, the Gross National Product increased by about 66 per cent. During the 1950's the GNP is estimated to have registered an annual growth rate of 2.5 per cent. The effect of this was nearly neutralised by the growth of population so that the gain in terms of per capita incomes was negligible. The position was drastically altered in the first half of the sixties, which period is estimated to have ended with a trend growth rate of about 5.7 per cent. During the fifties the absolute increase in per capita income was only Rs. 7.00. In the following quinquennium it was about Rs. 42.00.

The Six-Year Programme

The execution of this programme, which provided for an outlay of Rs. 2,600 million (Rs. 2,002 in the public sector and the remainder in the private sector) did not follow the intended lines, and the development effort proceeded by fits and starts. The programme comprised 67 main projects and laid down physical targets, though these bore no specific relation to the projects. The operation of two factors created difficulties in the way of the full implementation of the programme. First, the slump that followed the Korean War boom depressed the prices of Pakistani exports while the cost of imports had already been rising. Secondly, the country experienced a food deficit which tended to engender inflationary pressures.

Industry registered a rapid growth. The index of industrial production covering 17 major industries rose from 100 in 1950 to 285 in 1954. Cement production rose from 324,000 tons in 1948 to 673,000 tons in 1954. Much of the investment flowed into cotton and jute, textiles, edible oils, cigarettes, fruit processing, ginning, matches, paints, pharmaceuticals, leather and footwear and a few engineering enterprises. By the end of 1954-55, the total capital outlay on projects sponsored by the PIDC roughly came to Rs. 620 million. The total volume of private investment in industry was very much higher. The electrical power generating capacity increased from 110,000 KW. in 1947-48 to nearly 280,000 KW. by 1954-55. The transport and communications sector, including ports, made a noticeable advance. Educational and medical facilities were expanded. The GNP increased by over 14 per cent during the period 1950-55.

The six-year programme failed to achieve any significant results in agriculture. The Government launched a Grow-More-Food Campaign, and 660,000 acres of land were newly provided with irrigation facilities.

THE FIRST PLAN (Published December 1957)

The First Five-Year Plan (1955-60) was as nearly comprehensive as it could be in the situation obtaining at the time it was formulated. It not only presented a programme of development but made a thorough study of the social, economic and administrative problems that faced the country. It advocated far-reaching reforms in the administrative set up and recommended agrarian reforms with a view to preparing the country for a major economic advance. The Plan specified the following physical targets :

a. an increase in national income by 15 per cent and in per capita income by 7 per cent;

b. the creation of 2 million new jobs;

c. an increase in foodgrains production by 9 per cent, the production of cash crops from 15 to 33 per cent; and
d. an increase in industrial production by about 60 per cent.

Besides, the Plan fixed targets in the region of exports power capacity, irrigation, communications, rural development and beneficent activities. The Plan produced some very encouraging results, but its implementation left a good deal to be desired. The concept of planning was new to both the administration and the people, and the institutional groundwork for the execution of a development programme had yet to be laid. A developmental bias had yet to be built into an administration which, under colonial rule, had been an agency for the enforcement of law and order and for the collection of taxes. The period in which the Plan was operational was characterised by political instability so that the Government's involvement with planning was more or less a formal affair.

The Plan's investment target was achieved to the extent of 90 per cent. But the scale of physical achievement fell far short of the goals owing to a rise in costs and delays in the completion of projects. National income rose by 11 per cent as against the Plan's stipulation of 15 per cent. But since the population increased by 12 per cent benefit of this gain was almost nullified and the people's aspiration for economic betterment went unrealized. The proportions which the Plan recommended for sectoral development were not duly observed, with the result that agriculture failed to match the rapid progress of industry. Industrial profits were ploughed back in a big way because of such incentives as the low price of machinery, high depreciation allowances and low tax rates. The private sector was still following a cautious policy, and avoiding heavy financial commitments on projects which offered delayed returns. The deficiency was supplied by the PIDC which adopted a bold policy in sponsoring essential industries. It established shipyards, cement factories, chemical plants and jute, paper and woollen mills.

The investment actually made in agriculture was just a little over 50 per cent of what the Plan proposed. Over a million acres of land were newly provided with irrigation facilities and those available to another 2.6 million acres were improved. The amount of fertilizer consumption, almost negligible in 1955, increased four-fold, and new food storage capacity was built. To sum up, the Plan's intention of giving the highest priority to agricultural development went unrealized. This created imbalances and reduced the economy's potential for growth.

Though some of its promises were not fulfilled the First Plan made a significant contribution to the growth of a tradition of national economic planning. Its many prescriptions in regard to the reorganisation of the administrative machinery, the creation of new institutions and the carrying out of agrarian reforms amounted to an advocacy of radical changes. Last but not the least it conveyed to the people a great message—their participation in planned development could open up new vistas of all round national advancement.

THE SECOND PLAN (Published June 1960)

The Second Plan's implementation began under more auspicious circumstances. The country had gained some experience of planning and the people had grown more familiar with it. Firm political support to the planning process, governmental stability and the institutional reforms begun under the First Plan had supplied the pre-conditions for success.

The more important objectives of the Second Plan were :

a. An increase of 24 per cent in national income ;

b. An increase of about 12 per cent in the per capita income ;

c. Rapid progress in agriculture, especially an increase of 21 per cent in foodgrains production ;

d. An increase of 60 per cent in industrial output ; and

e. An increase in foreign exchange earning at the rate of 3 per cent per year.

The Second Plan provided for a total investment of Rs. 23,000 million excluding a Rural Works Programme of Rs. 1,600 million. The investment actually made exceeded this estimate.

A heartening feature was the country's ability to rely to a greater extent on domestic resources. The Plan had estimated that the total development outlay of Rs. 23,000 million would be financed to the extent of 50 per cent through foreign aid. In actual implementation, dependence on external aid came to about 40 per cent.

The Plan's estimate of export earning of the amount of Rs. 11,250 million was exceeded, and an annual increase of 7 per cent was achieved.

Most of the key targets of the Second Plan were fulfilled while some were exceeded. For instance :

1. The Gross National income increased by 30.4 per cent, as against the Plan projection of 24 per cent.
2. The per capita income increased by 14.8 per cent as against the Plan target of 12 per cent.
3. Industrial production increased by 27 per cent as against the Plan target of 21 per cent ; and
4. Industrial production increased by 61.4 per cent as against the Plan goal of 60 per cent.

The following is a brief account of progress achieved in the more important sectors.

The annual growth rate in agriculture, which was 1.3 per cent upto the mid-1950's increased to 3.4 per cent during the Second Plan period. Increased agricultural production was attributable to a quadrupling of fertilizer input, an expansion of plant protection measures and the colonisation of over one million acres of virgin land. Such segments of agriculture as livestock production, forestry and fisheries also registered an expansion at an annual rate of from two to five per cent.

Industry

The Second Plan period witnessed an investment boon as well as substantial increase in production. The country attained self-sufficiency in a large number of consumer goods and began to produce some capital goods. The acceleration of industrial growth could be ascribed to gradual relaxation of new incentives to increase investment. The aim of public policy was a fuller utilisation of industrial capacity. An attempt was made to liberalise the import of industrial materials and spare parts.

Transport and Communications

The total Plan allocation to this sector was Rs. 4,050 million. Rs. 2,725 million were in the Government-financed sector, but of this Rs. 251 million was private capital in partnership with the Government. Most of the physical targets of the Plan were achieved. Considerable progress was made in the acquisition of new rolling stock and in the reconditioning of the railway track. New schemes relating to the development of the ports of Karachi, Chittagong and Chalna were completed. The number of ships increased from 26 to 55 with 506,000 dead weight tons. Civil Aviation continued to make rapid progress, with the PIA acquiring new planes and expanding its internal and external services. The targets in respect of the Post Office and the telecommunication services were exceeded, Broadcasting facilities were developed considerably.

Water and Power

An area of 2.19 million acres was newly provided with irrigation and an area of 8.06 million acres was improved through better irrigation, flood control and drainage facilities. The installed capacity for power production increased from 882 mw. to 1,435 mw. Electric power supply was extended to 3,100 villages.

Fuels and Minerals

Large or sizeable deposits of natural gas, coal, iron ore, chromite, barytes, gypsum were found in the provinces. The consumption of natural gas increased from 29,842 million cft. in 1960 to about 80,000 million cft. at the end of the Plan period.

Education and Training

The Plan envisaged the opening of 15,000 primary schools and the development of 9,000 existing ones. At the Secondary stage there was provision for the setting up of 55 higher secondary and 178 high schools. On the whole these targets were fulfilled. Three engineering colleges and eleven polytechnics and technical institutions were established, and the provincial directorates of technical education were re-organised. The status of the engineering colleges at Lahore and Dacca was raised to that of universities.

Health

The Second Plan gave priority to preventive services such as eradication of malaria, small pox and tuberculosis. It also provided for the establishment of maternity and child welfare and health centres. The total allocation to the health sector was Rs. 360 million which was exceeded.

Three new medical colleges were set up and the existing medical colleges were expanded. The entire population of East Pakistan was vaccinated against small pox. Fifty new T.B. clinics were established. The number of hospital beds increased from 28,000 to 33,000.

THE PERSPECTIVE PLAN

By the time it came to framing the Third Plan the planners were convinced that they should look far into the future and spell out a set of longer-term goals in consideration of the people's expectations and on the basis of a scientific forecast of resource availability. Planning for successive five-year periods does not provide a sufficiently broad framework for the determination of economic goals and policies. It was this thinking which led to the formulation of the Perspective Plan (1965-85). This tweny-year Plan will embrace four five-year plans, and though it is subject to modification in the light of unforeseen circumstances it can be legitimately expected to help refine the concept of planning and ensure a broad continuity of aims, objects and methods over a long period of time.

The Perspective Plan places the following goals before the country :

a. quadrupling GNP and increasing the per capita income by 100 per cent ;

b. full employment by about the middle of the Perspective Plan period ;

c. parity in per capita incomes between East and West Pakistan;

d. universal literacy ; and

e. the end of dependence on external aid.

THE THIRD PLAN (Published June 1965)

The Third Plan is the first of a series of four plans which will fill the period covered by the Perspective Plan. It broadly follows the line of thinking which forms the basis of the Perspective Plan. The Third Plan is the end-product of a rather elaborate process. The first document on the Plan entitled the "Guidelines" and embodying the results of the Planning Commission's studies on resources and objectives was published in November, 1963. This was circulated to the central ministries and the provincial governments for their comments. In the next stage an "Outline" was prepared in August 1964. This was forwarded to the central and provincial Government agencies so as to enable them to formulate projects in different sectors in accordance with the proposed scheme of allocations. Advisory Panels were set up for different sectors to advise the Planning Commission on the problems of each, to suggest ways of solving those problems, and to evaluate the existing situation in each sector and apprise the feasibility of the targets proposed in the Plan. The recommendations of the panels were processed and those found suitable were incorporated in the draft Plan, which was presented to the NEC for approval.

The Third Plan's main objectives are as follows :

a. An increase of 37 per cent in the GNP leading to a 20 per cent increase in per capita income. The annual rate of increase is projected at 6.5 per cent.

b. Reduction in the degree of inter-regional and intra-regional disparity. This is to be achieved by increasing the total income of East Pakistan by 40 per cent and of West Pakistan by 35 per cent.

c. The creation of 5.5. million new jobs.

d. An increase in exports and further import substitution. The Plan stipulates that foreign exchange earning will increase from a level of Rs. 3,050 million at the end of the Second Plan to a level of Rs. 4,800 million by 1970.

e. The development of producer goods industries.

f. More water and fertilizer for agriculture and the maintenance of farm incentives. It is proposed to raise agriculture's growth rate from 3.4 per cent per annum to 5 per cent. Forty per cent of the Plan outlay is to be spent directly or indirectly on agriculture. It is proposed to bring about an increase of 35 per cent in the availability of water in West Pakistan. The use of fertilizer is to be tripled. In East Pakistan emphasis is laid on the promotion of low-lift pump irrigation and on the large-scale sinking of tube-wells in the private sector.

Improvements are also envisaged in credit facilities and marketing.

g. A big drive for family planning.

h. Improvements in and expansion of housing, health services and educational facilities, especially for those in the lower income groups.

i. Reduction in disparities of wealth and income and provision of social security benefits. The Plan proposes measures for the diffusion of the ownership of industrial capital, for discouraging cartels and monopolies and for conveying to the worker a share in the benefits of increased productivity.

The Plan proposes a total outlay of Rs. 52,000 million as against an expenditure of approximately Rs. 26,330 million during the Second Plan. The required resources will come from an increase in the average rate of savings. It is assumed that this will be obtained by mopping up a part of the additional income generated by the Plan. This will involve no undue increase in austerity.

The Plan seeks to reduce dependence on external aid. Foreign resources accounted for 53 per cent of the expenditure in the public sector during the Second Plan period. In the Third Plan this percentage is to be reduced to 45 per cent.

The Third Plan addresses itself to the question of markedly uneven development in the two Provinces in the past and suggests remedies. In order to reduce inter-regional economic disparity the Plan allocates a sum of Rs. 27,000 million to East Pakistan when West Pakistan's share has been fixed at Rs. 25,000 million.

The postponement of the Aid consortium meeting announced in July 1965, and the Indian invasion of Pakistan in September 1965, made a profound impact on the implementation of the Plan from its very beginning. A marked deceleration of aid inflow coupled with an inevitable redeployment of resources from development to defence drastically reduced the availability of both foreign and local resources.

These circumstances called for a reduction in the size of the Annual Development Programme for 1965-66 and for the rephasing of development expenditure envisaged in the Plan. The need also became obvious for taking a fresh look at the resource position and for reviewing the order of priorities.

The following conclusions were arrived at as a result of an extensive review of the economic outlook :

1. It was possible to maintain the size, basic objectives and main targets of the Plan, but the shortfall in the first year made it necessary to revise the annual phasing of the Plan outlay.
2. In order to sharpen the focus on priorities, it was found necessary to reduce the gap between the gross allocation for the Public Sector of Rs. 34,500 million and the net size of the programme at Rs. 30,000 million.
3. In order to secure the best possible results it was essential to revise the inter-sectoral priorities.

In December 1966, the National Economic Council approved the revised scheme in regard to phasing , priorities and allocations.

The actual expenditure during the first year (1965-66) fell short of the Plan's stipulation by about 21 per cent. This naturally called for a compensatory increase in expenditure over the remaining four years. According to the revised scheme, the annual acceleration of development expenditure will have to be much higher than that proposed in the original Plan, that is, 14.2 per cent as against 11 per cent.

The object of the revised strategy which was published in the form of a separate document entitled "Revised Phasing, Sectoral Priorities and Allocasions of the Third Five-Year Plan" (March 1967), was to secure the desired acceleration in the growth of the economy with a lower level of total investment.

The new strategy favoured a great deal of emphasis on agriculture, the maximum use of installed industrial capacity, and the postponement or pruning of import-intensive or capital-intensive investment.

According to the revised strategy, agricultural growth is to be accelerated through the adoption of improved technology, based upon the use of better seeds, application of fertilizer and the supply of adequate water. The Plan emphasises the need for motivating the farmer to use better seed and fertilizer and for ensuring that these inputs are available at the right place and at the right time.

The revised industrial strategy favours a policy of consolidation based on a fuller utilization of installed capacity together with a selective expansion of industries subserving the export market and the agricultural sector. This implies a cautious approach towards schemes involving a big commitment of resources or a possible increase in dependence on imported materials. The revised scheme, however, favours an ambitious programme of the development of skills in sophisticated industries.

In the first two years of the Third Plan manufactured exports increased by 34 per cent per annum, which fact contributed in a big way to a rise in total exports of 12.5 per cent per annum compared to the Plan target of 9.5 per cent. The revised scheme of priorities seeks to consolidate these gains. In part the proposed increase in exchange earing will be achieved through the export of larger agricultural surpluses. In part this increase will have to be accounted for by a big rise in the sale of manufactures abroad. Larger export earnings are expected to provide a cushion against any shortfall in the availability of aid. The revised sectoral allocations are given below :—

(In Million rupees)

Sector	**Revised Allocations Dec.'66**	**Percentage of the total**
Agriculture	4,115	13.2
Water and Power	8,047	26.0
Industry, Fuels and Minerals	4,105	13.2
Transport and Communications ..	6,711	21.7
Physical Planning and Housing ..	2,477	8.0
Education and Training	2,374	7.6
Health	1,175	3.8
Social Welfare	90	0.3
Manpower	56	0.3
Works Programme	1,820	5.9
Total :-	**31,000**	**100**

Expected shortfall—1,000.

In the revised scheme of priorities, the direct public sector allocation to agriculture was reduced but larger allocations were made to the power and transport sectors. The allocation for the water sector remained substantially unchanged.

FIRST THREE YEARS

The GNP registered an increase of 4.6 per cent in 1965-66, 5 per cent in 1966-67 and 8.3 per cent in 1967-68. The high growth rate recorded during 1967-68 has compensated for the slower growth of the first two years of the Third Plan and brought the average growth rate for the first three years to 6 per cent. If the performance during the remaining part of the Plan period answers the planners' expectations, it is possible that the Third Plan target of an average annual growth rate of 6.5 per cent will be achieved. The situation in the agricultural sector has been developing very favourably. The production of rice and wheat touched the record levels of 12.4 million tons and 6,257 million tons respectively during 1967-68. This meant an increase of nearly 15 and 44.7 per cent respectively over 1966-67. The production of minor foodgrains and of commercial crops, with the exception of sugarcane, also registered an increase. This radical improvement in the performance of agriculture was the result of such factors as the increased availability of water, fertilizer, improved seeds and better implements. Incentives provided through subsidies, the fixation of floor prices and buffer stock operations also played a vital part in stimulating agricultural growth.

The industrial growth rate suffered during the early part of the Third Plan owing to the inadequate supply of raw materials. The growth rate in the large-scale industrial sector fell from an average of 15 per cent per annum in the Second Plan to about 6 per cent in 1965-66. It picked up subsequently to 11 per cent in 1966-67 and an estimated 13 per cent in 1967-68.

By the end of the first three years of the Plan, only 41 per cent of the total public sector allocation of Rs. 30,000 million will have been spent. The Mid-Plan Review of the Third Plan estimated that the total investment may achieve a level of Rs. 25,000 million showing a short-fall of 17 per cent in the investment target. This likely shortfall in financial implementation is explained by the expected drop of Rs. 2,500 million in the availability of foreign aid for the public sector and the necessity for an extra provision of over Rs. 5,000 million for defence expenditure over the Plan period. It is to be noted, however, that even an investment of Rs. 25,000 million in the public sector would mean an increase of more than 75 per cent over the corresponding Second Plan figure of Rs. 14,590 million.

THE ECONOMY'S STRUCTURE

On the whole Pakistan's striving for rapid economic progress has produced highly satisfactory results. One of the foremost criteria applied for measuring the pace of progress is the rate of increase of the Gross National Product. In the period from 1957-58 to 1967-68, the GNP increased from Rs. 29, 720 million to Rs. 48,740 million, indicating an average annual growth rate of 5.5 per cent. This represents a considerable acceleration of the rate of growth which was 2.5 per cent in the previous years. Per capita income registered a nominal increase from Rs. 311 in 1949-50 to Rs. 315 in 1957-58 but rose fairly sharply in the following yeais to Rs. 400 in 1967-68.

A reference to some other economic indicators also confirms the view that the tempo of progress has been quickened over the past one decade or so. The country has made a great deal of progress towards the attainment of self-sufficiency. The quantum index of production, with 1959-60 as the base year, rose in 1967-68 to 261 for manufactures and 140 for major agricultural crops. The average savings increased from 2.5 per cent of the GNP in 1949-50 to 3.6 per cent in 1957-58. In 1967-68 average savings amounted to 9.6 per cent of the GNP. There was a spectacular increase in foreign exchange earning from about Rs. 1,820 million in 1958-59 to Rs. 3,800 million in 1967-68, a fact which bears testimony to sustained progress in a crucial sector of the economy. Yet another indicator is the growth of the tax revenues of the Central Government. The income from taxes increased from Rs. 639.2 million in 1948-49 to Rs. 4,805.7 million (Revised Estimates) in 1967-68. And the 1968-69 Budget estimated tax receipts at Rs. 5,508.3 million.

Progress towards a more diversified economy has produced a noticeable change in the economic structure. And the process of change is continuing. On the advent of freedom, the economy's dependence on agriculture was absolute. On the one hand the country had had to import from abroad almost all the consumer goods it needed and on the other export-earning mainly depended on parimay commodities whose price and off-take were subject to wide fluctuations.

The process of economic diversification has begun to change the picture and to enhance the relative weight of sectors offering a higher rate of productivity. Manufacturing accounted for 5.8 per cent of the GNP in 1949-50. As a result of fairly rapid industrialisation the percentage share of manufacturing rose to 12.2 in 1967-68. Over the same period other sectors like construction, transport and communications and wholesale and retail trade also enhanced their contribution to the GNP. There has been a marked disparity in the rates of growth of industry, particularly large-scale industry and agriculture, a fact which has tended over the years to decrease the percentage share of agriculture. Large-scale industry has, for instance, registered an annual growth of about 14 per cent over the last 20 years. As against this, agriculture's annual growth rate between 1949-50 and 1959-60 stood at a miserable 1.3 per cent. The Second Plan brought about a marked improvement in agriculture's fortunes, pushing up the annual rate of growth to about 3.5 per cent and laying the basis for still better results in the Third Plan period. However, the very rapid growth of industry, which has become the leading sector, and of construction, transportation and other services has brought about a noticeable change in the composition of the GNP and in the position of agriculture in relation to other sectors. Thus agriculture's contribution to the GNP declined from 60 per cent in 1949-50 to 45 per cent in 1966-67. The spectacular improvement in agriculture in 1967-68, however, raised this percentage to about 45.8.

Another indication of the progressive change that has been coming over the economy is provided by a change in the pattern of exports and imports. The economy's excessive dependence on the export of primary surpluses has been markedly reduced with a steady increase in the income from the export of manufactures. So far as imports are concerned expenditure on the import of consumer goods has been reduced drastically. The trend is towards an increase in payments on account of the import of capital goods and industrial raw materials. And finally, the economic change has manifested itself in an increase in the urban population from about 10 per cent of the total in 1950 to about 15 per cent in 1965.

FOURTH PLAN'S OBJECTIVES

As the Third Plan period draws to a close and the time comes for the preparation of the Fourth Plan, it is natural that questions relating to the form, speed and priorities of future economic growth and the direction of social development should begin to receive serious attention in the country. These and other relevant questions were studied and analysed by the Planning Commission which published its thoughts in the form of a booklet entitled "Socio-Economic Objectives of the Fourth Five-Year Plan" in November 1968.

The document is not intended to present a definitive verdict on fundamental issues that must be sorted out before the Fourth Plan can take shape. Actually it endeavours to define these issues to point out what options there are before the country and to present the background against which decisions have to be made for the future. Thus the document frames the issues and outlines the conflicts which arise when one tries to choose between alternative courses of action that seem open. Who is to make these choices and determine the fundamental socio-economic postulates of the Plan ? The Government decided some time ago that the people should be associated with the formulation of the Fourth Plan through a National Debate which will help evolve a pragmatic consensus of opinion on the guiding principles of future planning. These principles have to be defined with the help of a popular consultation before the experts specify the Plan's targets and work out the strategic concepts that are to be applied in the first half of the seventies. After all planning can evoke the whole-hearted sympathy and active co-operation of the people only when it is in tune with the popular sentiment and is manifestly designed to satisfy the aspirations of the people.

The document suggests that the following main objective should be borne in mind in the formulation of the Fourth Plan : to maintain the tempo of growth; to reduce inter-regional and intra-regional disparities in per capita income; to aim at increasing self-reliance in most essential fields; to move towards a viable synthesis between the claims of economic growth and social justice through the pursuit of pragmatic policies and to direct the forces of economic and social change towards the establishment of a just society. The document recognises that "the conflict between economic dynamism and social justice has become fairly sharp", but strikes a note of caution against the adoption of superficial solutions and makes a plea for pursuing both the objectives at the same time. According to the document, the objectives of greater social justice can be advanced considerably within the following framework : (*a*) greater equality of opportunity; (*b*) a fair return to farmers and industrial workers for their labour; (*c*) phased introduction of social security and medical care for a growing segment of the population; and (*d*) greater use of the fiscal machinery to promote better distribution of income and wealth.

Inspite of the major effort the country has so far made to reduce poverty and provide a decent living standard for the multitudes, there is so much that remains to be done. The income earned by 75 per cent of the total number of households is still below Rs. 200 per month. The daily calorie intake is around 2,100 per person as against the minimum international standard of about 2,600 calories. Only about 20 million people out of 125 million are literate. There is one doctor for every 7,000 persons. About 1.2 million families in urban areas live in slums. The document cites these facts in order to convey an idea of the magnitude of the task that is to be performed. Again, it estimates that there will be a further increase of about seven million in the labour force during the Fourth Plan period, the absorption of which alone would require the creation of one-and-a-half million jobs a year. The employment potential of the Plan will thus have to be bigger still if the goal is to be a reduction in the backlog of unemployment.

The document underlines the need for placing increasing reliance upon the country's own resources and energies and for reducing dependence on external assistance. By the end of the Fourth Plan the country will be required to finance 80 per cent of the development effort out of its own sources. This will call for a massive effort to increase domestic savings and augment export earnings. Besides a move towards greater self-reliance will make it necessary to attain self-sufficiency in certain key sectors and to specify fairly ambitious targets in all branches of the economy. The country will be required to become a major exporter of foodgrains.

In the industrial field the major aims will be the creation of substantial capacity for steel production, the achievement of near self-sufficiency in fertilizer production by 1972, the supply from domestic production of roughly half of the total requirement of capital goods and the development of capacity for defence production. The goal of self-reliance will also make it necessary to give top priority to the development of human resources and of the community's capacities in the regions of research and technology.

In adumbrating the economic and social goals of the Fouith Plan, the Planning Commission has provided a hypothesis which can serve as a basis and a starting-point for the proposed national debate on the next Plan. The hypothesis proceeds from the country's experience of planned development and the possibilities and limitations this experience has indicated. It also reflects the popular aspirations for greater social justice, the national urge for increasing self-reliance and the imperative need for sustained economic growth. Further more, it draws attention to the kind of alternatives that are available and the claims that complete among themselves for a higher priority. The people will be called upon to express their opinion on these alternatives and claims. The final scheme of the Fourth Plan will bear the clear impress of the consensus of opinion as it is revealed by the proposed national debate.

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