Economic Planning in Pakistan

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History

- The first attempt at national planning was the Six year Development Program 1951-57
- The Planning board was established in 1953 and the Planning Commission in 1958 under Ayub regime
- The successful period of planning in Pakistan was after the Second Five year plan 1960-65 when the country went through a phase of transformation and became a dynamic and high performing economy.
- The major achievements were (a) Green Revolution (b) Completion of Indus Basin Irrigation works including Tarbela and Mangla Dams.(c) Large scale Industrialization (d) Export expansion and efficient import substitution

History continued

- GDP growth averaged 6 percent and Manufacturing exceeded 9 percent. Pakistan became one of the fastest growing economies in Asia
- After separation of Bangladesh and assumption of power by PPP there was a radical shift in economic philosophy. Heavy industries and other industrial units , banks, insurance companies and Educational institutions were nationalized and brought under direct control of the State. Public sector enterprises expanded rapidly while economic growth slowed down.
- With the change in the regime the economy in the 1980s once again picked up recording growth rate

History Continued

- Elected Democratic Governments of PPP and PML alternated in the 1990s. The process of Privatization, Deregulation and Liberalization was initiated but before it could make any significant headway as frequent changes in the Government did not allow continuity and consistency of policies. Five year plans did not get much traction in this period. Growth rate fell below the past average.
- Pakistan faced a serious crisis after testing the Nuclear bomb in May 1998 as sanctions were imposed, These were further reinforced after the Military coup and not withdrawn until Pakistan joined the US in their War against terror. As a result of deep rooted economic reforms , debt relief and restoration of investor confidence Pakistan once again registered 6 -7percent growth rate and foreign investment poured in as the country embarked upon privatization of banks, opening up of telecom sector and oil and Gas exploration and development sector. Authority and powers were devolved to Local Governments along with financial resources. Police order 1867 was replaced by a modern law. Reliance on market mechanism rather than administered prices became the dominant norm. Higher Education was given priority and financial resources raising the number of universities and student enrolment. Planning Commission was mainly concerned with Public Sector Development Program.

Post 18th amendment and 7th NFC award developments

- Provinces were given powers under the constitution to manage 17 functions performed previously by the Federal Government. Concurrent legislative list was abolished. This devolution and decentralization of financial resources has weakened the planning process . Lack of coordination between the Federal and Provincial Governments in actual practice had some pernicious effect in achieving national development objectives particularly in the devolved sectors such as Agriculture, Education, Health, Social Welfare. Planning commission lost direct authority over a large expanse of development policy. Growth rate since 2008 has been abysmally low –4 percent

Institutional Framework for Planning

- National Economic Council is the highest Constitutional body responsible for economic planning and is Chaired by the PM with all the four CMs as members
- Planning Commission is the principal planning arm of the government also chaired by PM
- CDWP is the technical and appraisal body to manage the whole project cycle and approve upto Rs 10 billion and refer projects exceeding this limit to ECNEC
- Executive Committee of National Economic Council (ECNEC) is chaired by Finance Minister and has all provincial planning ministers as members. It is the highest project approval authority for all projects costing Rs 10 billion and above
- Provincial P&D Departments/PDWP ; These départements are responsible for preparing the Annual Development Programs and PDWPs approve projects upto Rs 10 billion and recommend others beyond this limit to ECNEC
- Departmental Development Working Party (DDWP) headed by Federal Secretaries heading the ministries can sanction projects upto Rs 1 billion

Planning Process

- Setting national priorities after reviewing the macroeconomic situation, social indicators, resource envelope, development challenges
- Sectoral plans and policies and interlinkages between them consolidated into the national development plan. Programs and Projects to be executed by the public sector and those in partnership with the private sector emerge from these sectoral and national plans

Project Cycle

- Project Identification by Sectoral Ministry/ Department
- Project preparation PC I including Feasibility study PC II by Ministry/Department
- Technical appraisal by Planning commission and P&D Department
- Approval by DDWP, PDWP, CDWP, ECNEC
- Budgeting for inclusion in PSDP, ADP by Annual Plan Coordination Committee
- Project execution by Ministry/ agency/ SOE / department etc
- Project Monitoring PC III by the Planning Commission/ P& D Department
- Project Evaluation Completion Report PC IV, Post Project PC V

Why Planning is no longer effective?

- Rapid changes in technology, preferences, international supply chains make the assumptions upon which static five year plans are formulated obsolescent
- Markets and not Governments determine prices, production levels, tradables, choice of industries and economic activities
- International Trade and Investment are driven by Global value chains rather than national plans
- Most of the plans did not achieve the given targets as they were poorly designed and implemented incurring cost overruns, delays and ended up with negative cost benefit ratios.
- Political interference for the inclusion of their pet projects resulted in small token allocations in the budget with throw forward running to 20

Why Planning is no longer effective? continued

- Prolonged Bureaucratic procedures , inadequate financing, unrealistic targets, weak procurement and land acquisition , poor management capacity, leakages and corruption , absence of accountability created a wedge between the aspirations of the plan and project outcomes
- Prime Minister and Chief Minister Directives outside the Plan received both funding and attention by the implementing departments

Successful International Experiences

- South Korea, China, Singapore, Malaysia and India were successful examples of economic planning in the 1960s and 1970s when there was a great deal of stability and order in international economy. Even then there are more examples of failures of Five year Plans . Recent examples of Planning are very few with the exception of China where the powerful Communist Party enforces discipline upon the local governments which are responsible for implementation. Promotions and transfers of civil servants take place on merit i.e. whether they have achieved the targets assigned to them

Future Direction

- The present set up of Planning Commission and P&D Departments should be divided into two parts (a) Transformation Commission (b) Public Investment Commission .
- The first part should prepare Vision paper where the country wants to be in long run, Strategy for competitiveness to reach that point, synthesize and ensure consistency between sectoral policies to implement the strategy. The Annual Development plans and the budgets prepared by the Federal and Provincial Governments should be based on this strategic framework .
- This Transformation Commission would also be the main vehicle for Federal- Provincial coordination in economic affairs, regular consultation with the

Future Direction continued

- The second part Public Investment Commission should be responsible for project appraisal, approval, real time digital monitoring and evaluation. There must be increased delegation of powers to the Ministries/ agencies/ departments/ local governments.
- Public investment commission should increasingly involve Public –Private partnerships in long gestation capital , technologically advanced and skill intensive projects
- Digitization of the economy and widespread adoption of E-Government should be given highest priority to ensure transparency, convenience to