

## History of Economic Planning in Pakistan

The history of national economic planning in Pakistan is divided in the following periods:

1. Period of economic coordination (1947-53)
2. Period of planning board (1953-58)
3. Period of Planning Commission (1958-68)
4. Period of decline of Planning Commission (1968-77)
5. Period of revival of Planning Commission (1978-88)
6. Period of (1988-98)
7. Period of restructuring of economy (1999-2008)

Period of economic coordination (1947 – 1953): Pakistan's first planning board was established in 1950 with main emphasis on agriculture. Unfortunately, that plan was not well implemented on time. There were no targets fixed for the plan and the planning machinery was so weak to tackle with implementation. Therefore, the economic planning efforts during this period was a complete failure.

Period of planning board (1953 – 1958): The planning board of Pakistan was renamed as Planning Commission in 1953. The planning commission was facing the following serious problems:

- Shortage of trained staff,
- Non-availability of accurate and reliable data,
- Uncertain conditions in the planning machinery
- It was regarded as a rivalry between Ministry of Finance and the State Bank of Pakistan
- Political instability
- Annual economic planning was never seriously followed
- Most of the economic advices were rejected by implementing authorities
- Economic priorities were not given due importance
- Budget decisions were also distorted

During this period, the First Five-Year Plan was made. Its implementation suffered due to rapid changes in government and a lack of political support.

Period of planning commission (1958 – 1968): The third period of the planning process began in October 1958 with the assumption of power by the military government of Ayub Khan. The new regime chooses

to make economic development through a marked economy and reliance of the private sector as its primary objective. The new government gave proper attention to achieve the following targets:

- Rapid industrialisation in the country,
- Removal of food shortage,
- Removal of political instability, and
- To overcome the problem of deficit of balance of payment.

The status of the Planning Commission was raised to a Division in the President's secretariat. The President himself assumed the chairmanship of the Planning Commission and Deputy Chairman, with the ex-officio status of a minister, was made the operational head of the Commission. Provincial planning department was organised. The Planning Commission was also provided the secretariat for National Economic Council (NEC) which looked after the day-to-day work of NEC and was also responsible for final approval for annual development.

During this period the Second Five-Year Plan (1960-65) was made. It was so successful that Pakistan led to an example for hunger nations of the world. But unfortunately Pakistan had to fight war against India in 1965. Then there was a hue and cry against Ayub government and another government got the power.

Period of decline of planning commission (1968 – 1977): This is the period of decline of Planning Commission as an important decision-making body coincided with the fall of Ayub Khan's government. During the Yahya Khan period (1969 – 1971), the serious planning on national level was completely

ignored. The Third Five-Year Plan (1965 – 1970) was virtually abandoned by the Yahya Khan's government. In 1970, the Fourth Five-Year Plan (1970 – 1975) was made and it was also a big failure because of the worst political conditions and instable government policies. In 1972, the newly elected government of Z. A. Bhutto decided to run the economy through annual planning, rather than through a comprehensive five-year plan. During the same year, the Planning Commission was placed directly under the control of Ministry of Finance as a Division. During the period from 1972 to 1977, the Planning Commission, with very less powers, have very few favourable economic decisions. In other words, the Planning Commission was powerless and ineffective.

Period of revival of planning commission (1978 – 1988): After taking charge of the government, the Zia-ul-Haq's regime emphasised on the needs of five-year plans. In early 1980s, the Zia government took steps to revive the Planning Commission as an effective and authoritative economic decision-making body.

During this period, two Five-Year Plans were formulated, i.e., Fifth and Sixth. In 1978, the Fifth Five-Year Plan to cover the period of 1978 – 1983 was published. But the Government failed to pursue the plan mainly because of uncertain political as well as economic conditions at that time. The Sixth Five-Year Plan was formulated in 1983 to cover the period 1983 – 1988. At that time, Dr. Mahbub-ul-Haq was the Finance Minister. He formulated the plan and because of his great efforts, this plan was a success. During his tenure, the Planning Commission has played a vital role in effectively formulating and implementing the economic planning. Not only the Sixth Five-Year Plan, but also the annual plans were formulated by the Planning Commission.

The period of (1988 – 1999): The period of 1988 to 1999 the period of political and economic instability. During this period, four elected governments were dismissed by the President on the charges of corruption. The role of Planning Commission was over-shadowed by political decisions. Its role was just limited to the preparation and submission of reports. It has nothing to do with the implementation of planning.

The Seventh Five-Year Plan was formulated during the Zia-ul-Haq period. But after his death, in 1988, the newly elected government of Benazir Bhutto took over the charge and so the Seventh Five-Year Plan has never been implemented. After the fall of Benazir's government in 1990, Nawaz Sharif's

government came into power. During his tenure, he introduced privatisation, deregulation, and economic reform aimed at reducing structural impediments to sound economic development. His top priority was to denationalise some 115 public industrial enterprises, Although the Nawaz Sharif government made considerable progress in liberalising the economy, but it failed to address the problem of a growing budget deficit, which in turn led to a loss of confidence in the government on the part of foreign aid donors. In 1993, the Nawaz Sharif government was dismissed by the President on the charges of corruption. In the parliamentary elections of 1993, Benazir Bhutto, once again, became the Prime Minister of Pakistan. Meanwhile, the so-called Seventh Five-Year Plan period came to an end. In 1994, the Planning Commission publish the Eighth Five-Year Plan to cover the period 1993 – 1998. In November 1996, once again, the PPP government was dismissed by the President on corruption charges. The parliamentary election was held in 1997 and, once again, Mian Nawaz Sharif elected as the Prime Minister of Pakistan. The targets of Eighth Five-Year Plan were also not well achieved. For example, the target of wheat was set at 18.3 million tons which could not be achieved by 1996-97 when its actual production was 16.6 million tons. It was achieved in the last year of the plan but it again slipped down to 17.8 million tons in the following year. Similarly the target of non-traditional oilseeds, grape and mustard was set at 0.4 million tons which was far below the national requirements. Likewise, the projected plan period target of agricultural credit of Rs 80.5 billion could not be achieved as the maximum credit given during the plan period was Rs 37.7 billion and most of which went to the influential feudal lords and politicians rather than to the common farmers. The Ninth Five-Year Plan was formulated by Nawaz Sharif government to cover the period 1998-2003. Following were the priorities of Ninth Five-Year Plan:

- (a) Maintenance of fiscal deficit at a sustainable level,
- (b) Maintenance of GDP growth at 7% p.a.
- (c) Investment in physical infrastructure,
- (d) Export-led industrialisation,
- (e) End of agriculture-water dichotomy,
- (f) Developing a civil society, etc.

Period of restructuring of economy (1999 – 2008): In October 1999, the Nawaz Sharif government was dismissed with the military coup by Chief of Army Staff, General Pervez Musharraf. The entire country was in a state of jeopardy. Before that, the businessmen have already lost their confidence due to economic instability with the Nuclear Test, freezing of foreign currency accounts, devaluation of rupee, and the Kargil War in 1998. Therefore, the targets of Ninth Five-Year Plan were never been well implemented.

The era of General Pervez Musharraf is known as the era of economic and political restructuring. During this era, the economy grew at an average growth rate of 5.1% (started from 2.6% in 2000-01 to 8.4% in 2004-05). President General Pervez Musharraf invited Mr. Shaukat Aziz to take charge of the Ministry of Finance in November 1999. He very quickly assembled a team of highly trained economists and extremely talented civil servants. To address the issue of the severe macroeconomic crisis and place the economy on a path of sustained higher growth, financial stability, The government believed that macroeconomic stability was vital for achieving higher and sustained economic growth, creating employment opportunities and preventing people from falling below the poverty line. It is with this view that a series of structural reform measures were initiated in such areas as privatisation and deregulation, trade liberalization, banking sector reform, capital market reform, tax system and tax administration reform, agriculture sector reform etc. As a result, Pakistan's economy started showing signs of improvement by 2000-01 well before 9/11. Manufacturing sector grew 11% in 2000-01 against 3.6% in 1998-99, revenue collection increased to Rs. 396 billion against Rs. 308 billion, debt servicing declined from 64% to 57% of total revenue, export increased from \$ 7.8 billion to \$ 9.2 billion. These are undeniable facts and well documented in official publications. These improvements had taken place much before 9/11.

The present economic team under the stewardship of Shaukat Aziz has not only salvaged a near bankrupt economy but has put it on a path of sustained high growth with financial stability and considerably improved external balance of payments. Much has been done in the past five years. The country has witnessed a decline in poverty to 24% in 2008 and other improvements in social indicators. The up-gradation of Pakistan in the Human Development Index of the UNDP of 2005 was a vindication of the policies pursued by the government during this period.

Planning Machinery in Pakistan

Following are the planning agencies in Pakistan:

National Economic Council (NEC):

The planning machinery in Pakistan is headed by the NEC as the supreme policy making body in the economic sphere. It has the President as the Chairman and all Federal Ministers, incharge of development ministries and provincial governors as members. In addition, a number of other persons are invited to attend the meetings of the NEC as and when the agenda relates to matters concerning them.

Functions of NEC:

(a) To review the overall economic situation in the country

(b) To formulate plans with respect to financial, commercial and economic policies and economic development

(c) To approve the Five-Year Plans (MTDF), the Annual Development Plans (ADP), provincial development schemes in the public sector above a certain financial limit and all non-profit projects.

It may appoint committees or bodies of experts as may be necessary to assist the council in the performance of its functions. NEC discusses different cases and makes decisions. To ensure implementation of the decisions, the secretary of each Ministry is expected to keep a record of all the decisions conveyed to him and to watch the progress of action until it is completed. The Cabinet Secretary is also expected to watch the implementation of the council decisions.

Executive Committee of NEC (ECNEC):

The body directly below the NEC is the ECNEC. It is headed by the Federal Minister for Finance, Planning and Development. Its members include all Federal Ministers incharge of development ministries, provincial governors or their nominees and provincial ministers, incharge of planning and development departments.

Functions:

(a) To set up development schemes (both in the public and private sectors) pending their submission to the NEC.

(b) To allow moderate changes in the plan and sectoral adjustments within the overall plan allocation.

(c) To supervise the implementation of economic policies laid down by the Cabinet and the NEC.

Annual Plan Coordination Committee (APCC):

Another body concerned with economic policy is the APCC which is a purely advisory body responsible for advising the Cabinet and the NEC regarding the coordination of policies. It is headed by the Secretary General, Finance, Planning and Economic Coordination. All federal secretaries of development ministries, heads of provincial planning and development departments and heads of the State Bank, the Board of Industrial Management and PIDC are its members.

Central Development Working Party (CDWP):

Below ECNEC is the CDWP which is responsible for the scrutiny and sanction of development projects. The Secretary, Planning Division, is the president of CDWP. Its members include federal secretaries of the concerned departments, federal finance secretary and chairman of the provincial planning and development departments.

The development schemes of federal ministers costing over Rs. 10 million and of the provincial governments costing over Rs. 50 million are submitted to CDWP for approval.

The responsibility for the overall economic evaluation of Annual Plans remains with the Planning Division which places a report each year before the NEC evaluating economic achievements and failures. Mid-Plan reviews outlining the progress of the Five Year Plan are also published by the Planning Commission.