Analysis of Activities, Role and Reforms of Planning Commission

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Abstract: This study examined the Planning Commission's influence on Pakistan's activities, Function, and Economic reform. It claims that the Gross National Income (GNI) role in supervising five-year plans and had a centralizing impact. Knowledge, longevity, and a reasonable standard of life are used to calculate the Human Development Index (HDI). The major rule of NGOs is important for giving the public and private sectors the poor's voices and concerns in Planning Commission. The study is descriptive in nature. Conclusion of this research paper, they appointed retired Deputy Chairmen and mostly trained staff to join international agencies and left Pakistan. Some recommendations to improve the Planning Commission staff performance is proper training centers arrangement for staff, the appointment of Qualified PDs, establishment of Planning & Monitoring cells. These suggestions can play an important role ut forward for continuous upgrading of the institution's skills in the long run. A similar detailed analysis for all sectors needs to be done for the guidance of the senior staff of the Planning Commission and the Deputy Chairman. It will also help to genealithe results of this research.
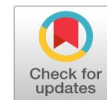
INTRODUCTION

Development economics provides policy-makers with information on the working of the economy in developing countries. Analysis of why such countries are trapped in poverty is needed to be presented to the Planning Commission. Development research is both a physical reality and a state of analytical agenda for furthering better life for people in poor countries. These three goals of development for developing countries are:

1. Increasing the availability and proper distribution of goods and services;

2. Raising the level of living, including higher incomes and employment with better education and social services; and

3. People's financial and cultural options are becoming more diverse.

In this context, United Nations in 2000 had presented a list of eight goals called Millennium Development Goals (MDGs). These goals are to be achieved by 2015. Progress to date for achieving these goals in developing countries has not been promising. Development is concerned with appropriate public policies to effect economic, institutional, and social transformation in developing countries (Marhum, 2018). In addition to allocating resources for the production of different goods and services, the interests of various groups in society need to be promoted by both government and private interest groups. This paper attempts to present the analysis done by others in the case of Pakistan. The scope of this effort is restricted to the working of the Planning Commission. A similar detailed analysis for all sectors needs to be done for the guidance of the senior staff of the Planning Commission and the Deputy Chairman. The paper is divided into 7 sections. The second section on "Meaning and Measurement

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of economic growth and development illustrates various issues that are important in understanding economic growth and economic development and how their impact is measured" (Cypher & Dietz, 2009; Kamran, Zhao, et al., 2016). GNI and Gross Domestic Product (GDP) – the two measures of economic development – differ from each other. The adjustment of GNI and GDP in developing countries for differences in income distribution, poverty, and human development is also analyzed. The third section deals with the important issue of development planning in developing countries. Developing countries after decolonization were attracted to Russia's ideas of planning. The fourth section deals with the issue of merging economic analysis of development planning with practical politics better to understand the economic activity in its political context. The fifth section on the role of planning and its mystique presents the history of planning in Pakistan. Models discussed relate to aggregate growth, sectoral distribution, and the political economy of development. The sixth section deals with the important issue of description and analysis of the formulation process of the budget for current, defense, and development expenditure. Facts about the adverse consequences of deficit financing leading to macro instability have forced the governments to impose constraints on total expenditure. The last section presents a summary of the paper and the main conclusions.

MEANING AND MEASUREMENT OF ECONOMIC GROWTH AND ECONOMIC DEVELOPMENT

This section discusses the difference between economic growth and economic development. How each of the two measures is measured and what variants of the measures are of use to the policymakers is the central issue discussed in this section.

Meaning of Economic Growth and Development

Some concepts for measuring economic development are; first, the income per person measures the rate of economic growth of a country. The second competing measure argues that economic development is complex. The rate of growth of per capita income is often used to measure economic growth over time. Economic development uses other aspects of development in economic, social, and political dimensions. As development is broader than income per capita changes, it implies that structural changes in the economy are required.

Measurement of Economic Growth

GNI and GDP are two measures used to measure economic development. GNI is the value of all income in the hands of people in any country. It does not matter whether income is created within or outside the country. Workers' remittances of Pakistani workers working abroad whose families are living in Pakistan add to Pakistan's national income but not its GDP. Similar is the case with the dividend's income of Pakistanis working abroad. Foreign workers working and investing in Pakistan add to Pakistan's GDP but not its gross national income. GDP is the total value of output created within a country (Aziz, Haider, & Raja, 2014). The GNI and GDP are the same if the economy is closed from the rest of the world. Closeness seems to exist when there are no flows of labor or income flows between economies. In close economies, as no workers, remittances, or investment inflows occur, GNI and GDP are equal. In 1990 and 2006, total GDP was 40.0 and 128.8 million dollars while total GNI was 41.7 and 126.2 million dollars for the two years respectively. Total GNI in Pakistan for both years was more than GDP, indicating larger well-being. On the contrary, it becomes a part of the GNI of the country receiving such flows. In the case of Pakistan, such flows are not large, but for the USA and economic union countries who invest abroad on a large scale, such flows are high.

Adjustment to GDP and GNI Measures

GNI and GDP in Pakistan are measured by the Federal Bureau of Statistics according to a well-set definition. Planning Commission, provincial and federal line ministries, along with a professional staff of PIDE and other research institutions, are involved in the calculation of each year's GDP. The size of the population is determined from Population Census data. Different censuses in different provinces often contain cases of overestimation or underestimation of population. Estimated rates of death and fertility rates for different years between census years were used to determine the population of years between the census years. Birth and death rates were obtained for different years by special surveys conducted by Population Departments. Registration of births and deaths by the local government is often less than the correct figures. With the transfer of the Population Ministry to provinces,

some provinces do not have sufficient trained staff to work on population estimates. Also, Planning Division's population section has lost its staff (P. A. R. S. Debowicz Dario; Dorosh & Haider, 2012; D. Debowicz & Saeed, 2014). Since GNI per capita is calculated by dividing GNI by population, the percentage in GNI per capita is quite simple. It is:

$$
\begin{aligned}
\text{\% change in GNI per capita } &= \text{\% change in GNI/total population} \\
&= \text{\% change in total GNI } - \text{\% change in population}
\end{aligned}
\tag{1}
$$

In the same manner, the percent change in GDP per capita can be determined. It is also important to note that equation 1 above is a mathematical relationship, and hence it does not establish a relationship between growth in GNI and growth in population. Having divided GNI and GDP by population, it needs to be noted that a country with a higher average income is more developed than a country with a lower average income. Similarly, a country with larger growth in its GDP rate is growing faster than a country with a lower GDP rate of growth.

Adjustment of Nominal Income or GDP for Price Changes over time

Since prices change over time, it is important to adjust nominal values of average GNI or GDP in different years for the increase in prices. Total nominal GDP is calculated as the sum of all final goods and services, with n being the number of goods and services, Pi being their prices, and Qi the number of goods or services produced. Thus

$$
\text{Total}\, GDP = \sum_{i=1}^{n} P_i Q
\tag{2}
$$

It is clear from equation 2 above that even when the quantity produced of goods and services does not increase, but the prices increase, then total GDP in current prices would increase. However, such an increase in GDP does not add to GDP in real terms. As such, with no increase in GDP, welfare and growth are the same. However, when prices change, there is a need to account for the change in prices to arrive at real prices. This is done by using the number of goods and services in different years and multiplying these with the prices in a base year.

$$
GDP\, 2014 = \sum_{i=1}^{n} P_i(2010) - \text{ (base year chosen) Qi}, 2014
\tag{3}
$$

The equation above shows how GDP in 2014 is calculated by the use of prices in the base year of 2010 and the number of goods and services produced in 2014. In other words, GDP or GNI in different years in current prices are divided by price index computed on the basis of base year prices (?, ?).

International Comparisons of Income: The Concept of Purchasing Power Parity (PPP)

As one US dollar does not purchase the same quantity of goods and services in every country, there is a need to adjust current prices in a country with the prices of, say U.S., whose prices for most goods and services are higher than the prices in Pakistan. Prices in the USA for a base year are used in the calculation of international comparison of income.

$$
\text{PPP GNI per capita } = \frac{\sum_{i=1}^{n} P_i us \times Q_i \text{M}}{\text{Population}}
\tag{4}
$$

Qi M is the output vector of all goods and services produced. Prices Pi, in the US, is the price vector of the same quantities and services. There is no need to use the exchange rate between the US and Pakistan as quantities in Pakistan are multiplied by US prices. The PPP GNI per capita between low incomes in developing countries and the US show smaller differences in income per capita between Pakistan and the USA.

Accounting for Differences in Income Distribution

Average income per person is not an adequate measure of welfare because it does not take account of dispersion of incomes. Pattern of income distribution in any country are needed to measure the dispersion around the mean income. In Pakistan, this ratio was 4.3 as against Brazil's ratio of 21.8 in 2004. The Gini coefficient is another measure of income distribution. It varies from 0 to 1. The closer it is to 1, larger is the inequality in income. A rising value of Gini coefficient indicates rising inequality in the distribution of income. This ratio is called Kuznets ratio which is named after Nobel prize winner economist Kuznet. Gini coefficient is calculated from the Lorenz curve which is a graph depicting the variable of the size distribution of income from perfect equalities.
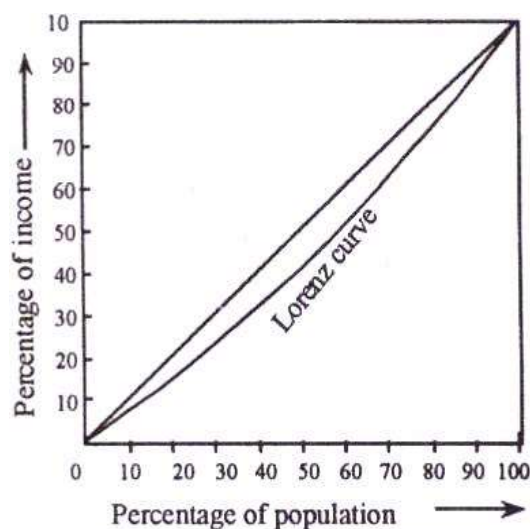
Figure 1: CAPTION REQUIRED

The more the Lorenz curve is rightwards from the line of equality, the closer the Gini coefficient is to the value of 1. Gini, when equal to 0 shows that the average income of all people is equivalent, while the Gini coefficient of 1 indicates that all income accrues to one person. The Gini coefficient is measured by dividing the shaded area A by the total area of the half square BCD. Kuznets analysis of Gini coefficients for a number of countries showed that the Gini coefficient for low-income countries was lower, but it had increased as the income of these countries had increased.
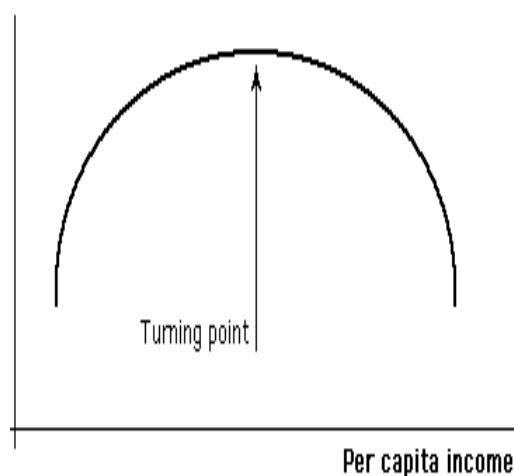
Figure 2: CAPTION REQUIRED

Kuznets curve shows that Gini coefficients in poor countries are lower than in high-income countries. At the

threshold income level, it is highest, but after then it falls as income per capita increases beyond the threshold income level. At a very high-income level, the Gini coefficient can be lower than is the case for low-income countries (Dorosh, Niazi, & Nazli, 2006). These surveys are only for a few years. For these years, PIDE and other scholars have computed the two measures of income distribution which show that Gini coefficient, while still low, has increased over time in Pakistan.

Accounting for Poverty

In Pakistan, poverty has been estimated as meeting the nutritional requirements of 2550 calories per adult per day. The Planning Division had reduced the nutritional requirement to 2350 in 2002. The decision by the Musharraf government was made to show a lower poverty rate to meet the conditions of IMF loans. Then the then Deputy Chairman of the Planning Commission himself gave the new threshold of 2350 calories per adult. It was a big surprise when the 2010-11 survey indicated a poverty level of 11% for Pakistan, which is equal to the level for China, which had a much higher level of income. The Planning Division should not in any way fudge the measurement of poverty. The Centre has lost its professionals, though it still exists. The Deputy Chairman should examine the work of the Centre and provide it with experts for measurement and analysis of poverty in future surveys, writes Nafis Rasool. World Bank reports provide estimates of global as well as for different countries' poverty on the basis of one US dollar per day. The global poverty estimated by the World Bank has declined on an annual rate basis. This is in line with the changes in poverty rates estimated by different countries, including Pakistan. One omission in GNI is the value of home production by women and children who cook and engage in production activities in homes, farms, and small industries. In fact, the poor benefit more from home production than richer families who depend more on the market.

Adjusting for Changes in Human Development Indicator

There has been a backlash in the use of average income as a measure of welfare as it does not capture a broader measure of development that affects human development. In 1990, a new measure of human development (HDI) was proposed. The Human Development Index (HDI) is being published for all countries by the United Nations. The HDI measure was evolved by United Nations on the advice of Dr. Mahbub ul Haq working then in the United Nations. It should be noted that HDI varies from 0 to 1. The closer HDI is to 1, the greater is level of human development. If the HDI is one, the economy has achieved the maximum possible level of human development. The value of HDI for Pakistan is 0.626 and 0.709 in 1990 and 2014, respectively. These numbers and their discussion at length is given in UN publications. The HDI is a simple average of longevity, knowledge, and standard level of income. It is better to use both measures of growth, i.e. per capita growth in national income and HDI, as a proxy for the level of development. The latter can be increased by adopting the right policies even when there is low income.

Accounting for Environment in Growth

The relation between growth and environment also exhibits the Kuznet type curve, meaning that at low incomes, growth leads to more pollution than at high incomes. People consider the environment as a luxury good because, with rising incomes, they demand a better environment. However, there is a need to improve the environment even at low incomes by using policies and new institutions to manage environmental change.

Sustainable Development

Sustainable development is described as "meeting the development of present generation without compromising the welfare of future generation." Environmentally adjusted domestic products are used in the measurement of proper growth. Summary and Conclusion

Changes in GDP were defined as "changes in economic growth." Some of the important adjustments are given below:

1. Comparison among different countries in the income levels requires the use of purchasing power parity whereby GNI or GDP of, let us say, Pakistan requires that quantities of goods and services produced in Pakistan are multiplied by prices in a base year in the USA.

2. The nominal income of Pakistan needs to be converted to income per capita by dividing it by the population. In Pakistan, population censuses that count the population are often wrong in measuring the population..

3. The nominal income needs to be converted to real prices by deflating incomes over time by prices of goods and services in a base year. The base years have often been changed by the government.

4. HDI alongside GNI index is used to measure the broader aspects of development. Knowledge, longevity, and a decent level of living are used to measure HDI in a year. There is a need to use HDI and income per capita to measure the welfare of people in a country.

DEVELOPMENT PLANNING AND DEVELOPMENT POLICYMAKING IN DEVELOPING COUNTRIES

Development policymaking to implement the formulated plans at different government levels, i.e., federal, provincial, and local, is also analyzed in the context of practices in developing countries.

Concepts and Rationale of Development Planning

In community and developing countries after decolonization, development planning was thought to be the surest way of achieving rapid economic progress. Unfortunately, the planning record in most developing countries did not lead to rapid growth. The failure of planning does not reduce the need for a development framework to accelerate growth and reduce poverty.

The planning mystique: The nature of development planning basically relates to influencing directly by controlling the level and growth of principal economic variables like income, consumption, employment generation, investment, savings, and reducing current account of trade balances. The plans consist of the government's choice of objectives, quantification of growth targets, and evolving a framework for implementation of a planned course of action and their monitoring (Government of Pakistan, 2007). Despite a large public sector plan, private sectors in developing countries are also large. The private sector consists of:

1. Subsistence sector, consisting of small-scale private farms and shops.

2. Individual or family-owned commercial businesses and services at a small scale.

3. Medium-size commercial enterprises owned and operated by local entrepreneurs.

4. Large foreign-owned business enterprises in manufacturing and trade.

The rationale of development planning: The widespread acceptance of planning in the early years in developing countries was based on a number of economic and institutional factors. Some of the important factors are given below: Market failure in developing countries leads to prices that do not reflect the costs and benefits to society. Resource Mobilization and their proper allocation of resources on projects is needed to reduce the wastages of resources

Models Used in Development Planning – An Issue in the Planning Process

Economic model: Economic models are used by technicians to manage the economy in a manner that achieves the goals set by the government for the Planning Commission. The four important models that Planning Commissions often use are (i) Harrod-Domer Model of aggregate growth; (ii) inter-industry (input-output) analysis; (iii) cost-benefit analysis or project appraisal; and (iv) the linear programming model that helps achieve the highest possible growth from given resources. In any model, two factors are important. It has to be seen whether the model is consistent with the availability of resources and second whether the solution offered by the model implies that maximum possible output has been achieved, which means that the model has achieved the results that are optimal. Consistency and optimality are illustrated in the following figure:

Figure 1
Production Possibilities Frontier (PPF)

Good B

B

Ao

Co   Indifference Curve
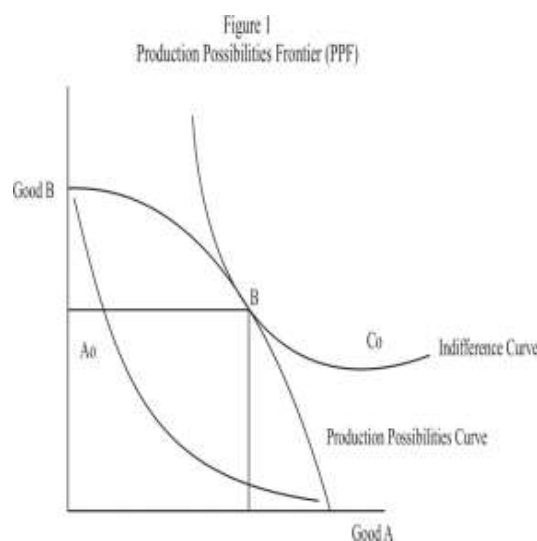
Production Possibilities Curve

Good A

Figure 3: CAPTION REQUIRED

Point A, which lies inside the Production Possibilities Curve, is consistent, Point B illustrates that maximum possible output is achieved as it is on the frontier of PPC and is target to an indifference curve. Point CO is inconsistent as it lies above the production frontier.

Development Planning has always been based on one or more formal macroeconomic models. According Siddiqui, Kemal, Siddiqui, and Ali Kemal (2008), Siddiqui (2009), Siddiqui (2011), there are at least four types of models that have been used in this regard. These are:

1. multiple input-output outcome models of economic sectors based on a Computable General Equilibrium (CGE) which determine various variables with respect to sectors from a given level of final demand;

2. A selection of investment projects using project appraisal and social cost-benefit analysis. These three stages of planning are essential tools of planning in developing countries. However, the actual use of these models in developing countries has varied a lot. Some countries have used all three models while some have used only two models.

3. Linear Programming that maximizes the growth from given resources.

Projection of Economic Variables under Aggregate Growth Model: The aggregate growth model deals with the entire economy in terms of a few variables like savings, investment, capital stock, trade flows, and foreign assistance, which together determine the planned rate of national output and employment. Most often, output targets are for five years, including yearly growth rates from a base year. Harrod-Domar model is the basic tool used for such a planning model. This model assumes that the ratio of total output to reproducible capital is constant so that

$$K(t) = c\Upsilon(t) \tag{5}$$

Where *K(t)* is capital stock at time *t*, and *c* is the average capital-output ratio. The next assumption is that a constant share (s) of output Y is saved so that

$$I(t) = K(t + 1) - K(t) + \delta K(t) = sY = S(t) \tag{6}$$

Where *I(t)* is gross investment at the time t and δ is the fraction of depreciable capital stock in each period. g is the targeted rate of growth of output such that

$$g = \frac{\gamma(t-1) - \gamma(t)}{\gamma(t)} = \frac{\Delta\gamma(t)}{\gamma(t)} \tag{7}$$

Capital needs to be growing at the same rate as we had assumed under (1) above, such that

$$\frac{\Delta K}{\text{K}} = \frac{\text{c}\Delta y}{K} = \frac{\left(\frac{\text{K}}{\gamma}\right)\Delta\gamma}{K} = \frac{\Delta Y}{\text{Y}} \tag{8}$$

Using equation 6 above, we arrive at the Harrod-Domar growth rate such that

$$g = \frac{sY - \delta K}{K} = \frac{s}{c} - \delta \tag{9}$$

Finally, output growth can be expressed as such of labor force growth (*n*) and rate of increase in labor force productivity as given below:

$$n + p = \frac{s}{c} - \delta \tag{10}$$

An increase in labor productivity is encouraged by public policies and is not given exogenously. From the demographic data, growth in the labor force and productivity increase from data on productivity changes can be used to estimate the growth rate in output. Overall saving function ($S = sY$) can be subdivided into at least two component sources i.e. savings from wages out of total wages and profits. Thus

$$W + \Pi = \Upsilon \tag{11}$$

$$s_\pi \pi + s_w w = 1 \tag{12}$$

Where s_π and sw are saving rates from π and W respectively.

By manipulating equation 5 and including equation 7, 8 a modified Harrod-Domar equation given below is arrived at:

$$c(g + \delta) = (s_\pi - s_w)\left(\frac{\pi}{\text{Y}}\right) + s_w \tag{13}$$

The equation given above ascertains whether savings from wages and profits are enough to finance the required investment for the targeted growth rate. In case foreign savings are needed, the foreign savings can be used in the Harrod-Domar equation. If capital-intensive sectors like dams, roads or other physical infrastructure become the main part of public capital, then the incremental capital-output ratio would be higher than otherwise estimated on past trends. Multiple sector models and sectoral projection models are needed to estimate capital-output ratios.

Sectoral projections of investment and output: Input-output models of inter-industry and other sectoral growth can give a better measure of capital requirement in any plan. Intra-industrial relationships can give a better estimate of capital requirements. Social account models can produce information on sectoral growth rates in different sectors. A Computable General Equilibrium model can be used to arrive at not only capital requirements but the analysis of different policies and shocks on the pattern of economic growth. It is also interesting to note that this kind of model has been used in the analysis of the agricultural sector with respect to decisions for its sub-sectors by the Innovative Development Strategies (IDS) and International Food Policy Research Institute (IFPRI).

Inter-industry model of growth: The inter-industrial model provides details about growth targets for different sectors and the inter-linkage between different sectors. The inter-industry table displays the flow of output from one industry to another and to final users like consumers, investors, and exporters. Each producer is the user of intermediate goods in the input-output model. Social Accounting Matrices computed for 1990, 2002, and 2007-08. An advanced input-output table that shows the value added by income groups is called the Social Accounting Matrix (SAM). The input-output model helps in determining the level of output in each sector. These results are useful indicators to more specific planning of investment projects. The table is based on the assumption that the ratio of purchases and value-added to total production is fixed for a base year.

Computable General Equilibrium (CGE) models: The CGE models offer a comprehensive way of modeling the overall impact of policy changes and shock on the economy. These models take account of the entire economy and take into account forward and backward linkages. Such models are needed to be used in the monitoring and evaluation of planning efforts.

Linear programming: Linear Programming is the tool used to achieve optimality in the use of resources. The main difference between the two approaches is the treatment of goods with respect to targets set by planners. Priority weights are assigned to each of the goals, which shows the importance of each goal. Linear Programming chooses activities that maximize the value of the objective function, which often is rapid growth in output, employment, and incomes of the poor.

Project appraisal using social cost-benefit analysis: Allocation of public investment funds on different projects is based on the results of project appraisal. It needs to be noted that the planning models discussed above set the broad strategy of development; input-output analysis helps in setting sectoral targets. Project appraisal ensures efficient planning of projects within each sector.

Concept and method of project appraisal: The appraisal process aims to weigh the benefits of development projects to society and then compare benefits with the cost of projects. The need for such an analysis arises as the market prices of inputs and outputs used in deciding public investment on projects used in commercial profitability do not reflect the true values from the social point of view and only take account of the private sector's profitability. Hence, social profit needs to be properly measured for correct decisions. The calculation of social benefits consists of three steps: Impact on environment and women's welfare needs to be considered as well as the level of impact on the economy. Net social benefits require a social measure of the unit values of projects, inputs, and output. Such measures are called shadow prices of inputs and outputs. The greater the difference between market and shadow prices, the larger is the need for analysis of social benefits and costs. There is also a need for a decision to reduce the stream of projected social benefits and costs to an index that helps in the ranking of projects for financing.

Explanation of steps of project analysis: Setting Objectives like the quality of life and their measurement is difficult. Planners mostly measure the social worth of a project from the degree to which it increases the net flow of funds of future goods and services to finance higher levels of consumption. Better income distribution and improved status of the environment are also jointly used to measure social benefits.

Computing shadow prices and social discount rates: The difference between market and social prices is based on many factors, but five of them are important:

1. Inflation is common in developing countries, mainly from large money creation by the central banks to finance high government expenditure. Inflation then requires government control on prices that are often lower than their true values. Most governments have also kept the prices of foreign exchanges lower than their real value

2. Tariffs, import quotas, subsidies, and import substitution have resulted in rent-seeking with respect to the use of imports and higher input and output prices.

3. Earnings, especially domestic, are lower than otherwise if government keeps wages high for increased domestic consumption.

The social rate of discount is referred to as social time preference. The Net Present Value (NPV) is defined as follows:

$$\text{NPV} = \sum_i \frac{B_t - C_t}{(1 + \gamma)} \tag{14}$$

The benefits are B, Costs C, and r is the social discount rate of discount used by the government. The net present value of a future stream of net benefits to the present is obtained by means of an appropriate discount rate. In view of the reasons given above, there is a need to use social benefit-cost analysis for project selection. The internal rate of return is the discount rate that ensures a project to have a net present value of zero. This rate is also used to rank projects which then is compared with market rates of interest. The cost-benefit analysis for choosing projects is often used in the developed world. The Planning Commission needs to take an active role in getting the basic research on shadow prices done. Provincial and local governments have a development program larger than the federal government. The commission needs to have a technical assistance program for the estimates of social costs and benefits for line ministries and provincial governments.

Conclusion: The analysis of the planning process presented above under five types of models, i.e., aggregate growth, input-output growth of different sectors, linear programming and social cost-benefit analysis for choice of projects, and the CGE models can be used to formulate an internally consistent and comprehensive plan. The aggregate model of growth is used in almost all countries. It needs an estimate of domestic savings, foreign investment, and marginal Capital-Output Ratio (ICOR). Dividing total savings by capital-output ratio gives the required rate of growth. As savings rates for South Korea, Taiwan, Malaysia, and India were high, the rate of required growth (and often achieved) was also high. Rates of growth under Musharraf's rule and Zardari's rule were low relative to what were actual rates of growth in the past years prior to (Iqbal, Siddiqui, & Zaidi, 1998; ?, ?).

POLITICAL ECONOMY OF PROBLEMS OF PLAN IMPLEMENTATION AND PLAN EVALUATION IN THE SHAPE OF PLAN FAILURE

Virtually all developing countries have been undertaking national, regional or local level planning to restructure their economies. This tendency towards planning has been based on the Russian experience. Some East Asian countries like South Korea, Taiwan, Malaysia, and mainland China have succeeded in getting rapid growth. The failure of planning in developing countries was mainly due to government failure in its planning experience. Government interventions in the economy had often worsened the development outcomes. What have been the major factors for government failure and the response of governments and donors for such failure is the subject matter of this section.

Government Failure and Measures for Promotion of Markets and the Private Sectors for better Implementation of Plans

Two types of factors explain the government's efforts to put in place working models of planning. The first factor is the gap between the theory of planning and its actual planning on the ground. The second factor is based on deficiencies in plan implementation relating to weak administrative machinery and political will.

Theory Versus Practice of Planning: The previous section on planning models has been based on the existence of market failure and the government's efforts to bridge the difference between market prices and shadow prices of goods and factors of production. In most cases, the differences between market and shadow prices were as high as 50 percent. Tying wages to educational attainment and to international wage structures had meant higher market prices. The same was the case with the prices of capital and overvalued exchange rates which were increased beyond their true shadow value. Lack of political will is perhaps the most important factor in explaining governments' failure in planning. Overambitious planning targets, weak policy support, insufficient and unreliable data are some of the reasons given by experts for Pakistan's poor planning records over the past 50-60 years. During the 1980s and 1990s, there was a move towards freeing of private markets by donors and government agencies in the developing world. Donors had linked their aid levels to the introduction of free markets. Developing countries had to obey these conditionality's of aid givers to get aid dollars.

Implementation of Development Plans in Pakistan

Pakistan has often changed the balance between the private and public sectors. During the 1960s, the public sector was involved in physical and social infrastructure. Since the 1980s, there has been either privatization of

public enterprises or the private sector has been given an extra role in the establishment of industries.

The Washington Consensus on Role of Government in Development

The Washington Consensus on development had emphasized higher growth rates. In it, there is no explicit mention of reducing absolute poverty or of shared growth in terms of reducing income inequalities (Kemal, Siddiqui, & Siddiqui, 2011). The main points of the Washington Consensus on development were fiscal discipline, public expenditure in favor of social sectors and physical infrastructure, tax reforms with respect to broadening its base, Privatization, trade liberalization, encouragement of international trade and investment, and financial liberalization are all benefits of competitive currency fluctuations and strong personal liberty (Government of Pakistan, 2008; Lynn, 2015). The Washington Consensus was distrustful of government and was for the promotion of the private sector. This seemed to be somewhat strange as success in South Korea, and Taiwan was based largely on government interventions and support.

Development Roles of NGOs

There is an urgent need to involve NGOs in the development process. Various names like NGOs, non-profit, voluntary, independent, civil society, or citizen organizations are used to describe this third sector. These activities are briefly described in the rest of this sub-section.

1. Innovations for the benefit of poor. Microfinance for the poor was initially launched by domestic and foreign NGOs. Other areas have been non-formal education, adult literacy programs, and many other community services. NGOs are able to design effective programs that reach the poor in a better way than the private markets or public sector projects.

2. Flexible Programme. The NGOs are not constrained by the donor pressure or the public policy agenda to under-table focal solutions to problems. The public sector and private sector are often slow to move to learn from these new directions in their program.

3. Specialized technical knowledge gained by public sector organizations and the private sector is often less than the NGOs – especially international ones because they work closely with the poor citizens and have been exposed to many obstacles that the poor have faced in many different contexts in more than one country.

4. Targeted local public goods that are rival and can be excluded are better designed and provided by NGOs working with the poor. Examples are many in the field of public health and other such fields that NGOs provide for the poor.

Political Economy of Development Planning and the Policy Formulation and Implementation

Three major trends in better governance have emerged. These are tackling corruption, fostering decentralization and promoting the participation of the poor in development.

Tackling of corruption: Corruption is the appropriation of public resources through high profiles for the private actors through official influence.

Decentralization: Decentralization has been promoted by introducing it in the Constitution where local and provincial governments are given more responsibilities than the central government.

Development participation: Development participation has often occurred from the solutions in the shape of better projects and proper use of aid measures.

Institutions and path dependency: Path dependency is defined by a condition in which past conditions of constitutional provisions affect the future development of institutions. PIDE's new section on Political Economy must do research in this area to help in policymaking.

Summary and conclusion: Increased funding from governmental, commercial, and community groups is required for successful growth. Fraud must be addressed, as well as decentralization and economic involvement. In it, the role of NGOs is important for giving the public and private sectors the poor's voices and concerns in developing countries.

STRUCTURE, ROLE AND PERFORMANCE OF PLANNING COMMISSION IN PAKISTAN

Pakistan's decision to establish the Planning Commission was influenced by Russian planning, which had transformed the Russian economy from subsistence to a modern economy in about 35 years. Pakistan was also influenced by India's effort at the planning of its economy and following other developing countries in the field of development planning. The details of such institutions and their years of the establishment are given below:

Table 1: Historical perspective of planning agencies in Pakistan

Institutions	Year of Establishment
Planning Board set up	1953
Board turned into a permanent body	1957
Board converted to Planning Commission, chaired by President of Pakistan (Chief Executive)	1958
PC status and functions redefined and amended; mandate broadened from macro planning to also include scrutiny and approval of projects and related allocation of resources	1961/64

Structure of Planning Agencies

The structure of Planning agencies in Pakistan was shaped in the light of other countries' experience in structuring their planning agencies. The countries from which Pakistan learned were many, including India, Malaysia, Indonesia, South Korea, Taiwan, and many communist economies. The structure of planning agencies in some of these countries is described below:
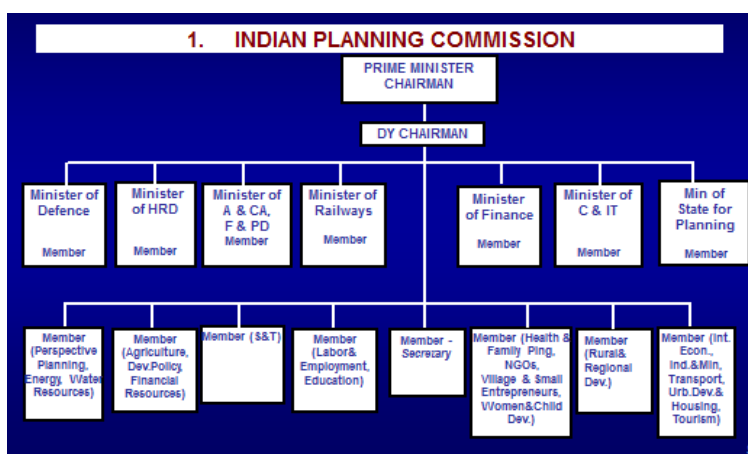

Table 2: Planning agencies in other countries

Malaysia: The Economic Planning Unit works directly under the supervision and guidance of the PM. It has played a pivotal role in Malaysia's rapid economic development, particularly in value-added industries

Indonesia: The National Development Planning Agency (BAPPENAS) works directly under the President/Chief Executive. It lays down the macro policy framework and translates guidelines of State Policy into long, medium, and yearly planning segments
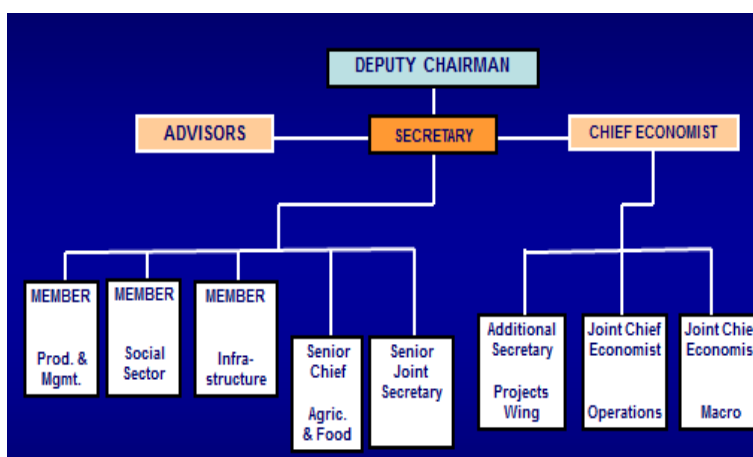
Table 3: Earlier organogram of planning commission

The organogram of the Planning Commission was revised in 1964. The new structure of the Planning Commission and its objectives are given in Table 4 below:

- Prepare the National Plans and review & evaluate their implementation,
- Formulate annual plans and Annual Development Plans (ADPs),
- Evaluate the position in the economy and coordination and economic policies; and
- Organize research and analytical studies for the formulation of new economic decisions by the government.

Functions of Planning Commission

Planning Commission was given numerous functions which related to the formulation of Plans, its periodic reviews, and proper evaluation and monitoring. The key functions given to the Planning Commission during 1960-64 have been given in an early section. In addition to the functions already given, the Planning Commission was given additional functions, which are given below:

- Help in creating the long-term vision, strategy development, and serving as a research organization for state planning;
- Evaluate the region's technical, financial, and people assets, and provide recommendations for improving them.; and
- Improve the expansion of research institutes. These functions had necessitated a restructuring of the Planning Commission. Table 4 presents the new structure of Planning Commission.
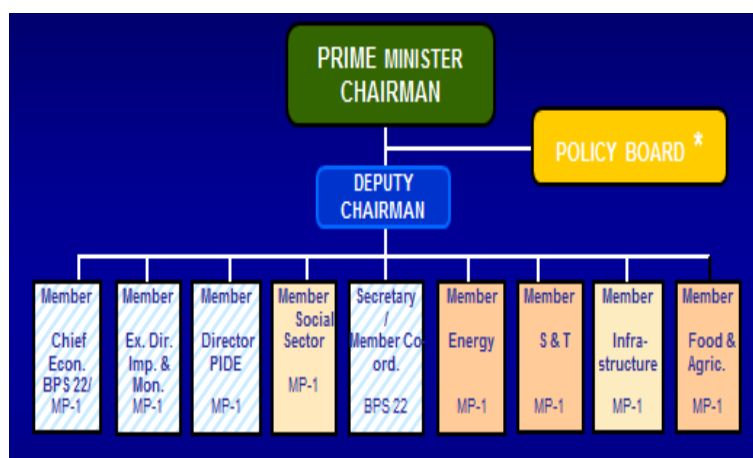

Table 4: New organogram of planning commission

The Policy Board will be chaired by Prime Minister and includes the Deputy Chairman, planning commission; 10 Federal Ministers nominated by the Prime Minister; and Members of the Planning Commission. Table 5 presents

the main elements of the innovative approach to planning laid out by the new government.
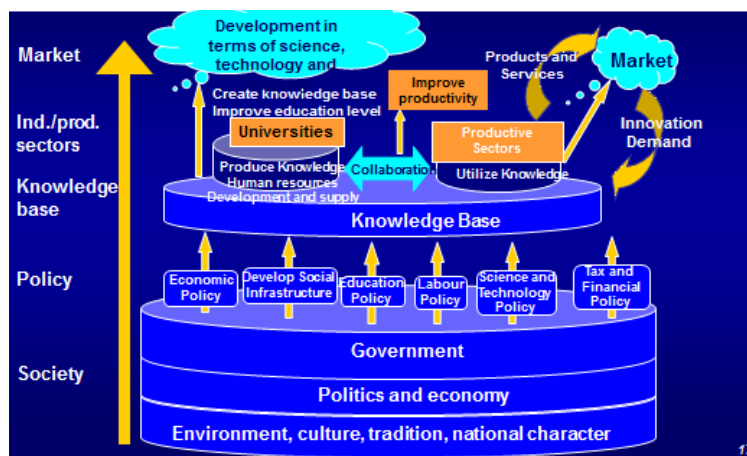

Table 5: An integrated approach to planning

The table presents development policy requirements at the national and sectoral levels. It shows the importance of a knowledge base and how it is used to build human capital. The importance of the market in increasing the demand for innovation in different sectors is also very important for increasing the growth rate.

Core Responsibilities Assigned to Planning Commission

To achieve the functions given to the planning agencies, core responsibilities were assigned to Planning Commission by the government. These are given below:

- Act as a Think Tank; however, it should be noted that a Think Tank is yet to be established in Pakistan.
- Assist the President and the Prime Minister in providing Intellectual Leadership through: Scenario Planning Practical Solutions
- Prepare Policy papers for decision-making by the government.

An Integrated and Innovative Approach for Development Planning

Planning Commission has been denied key functions and responsibilities that are crucial for the achievement of goals set by the government. This type of omission was not seen in the working of Planning agencies in the other successful countries. These omissions are discussed in the remaining part of this section.

Data on economic development: The data on different measures of economic development was rightly given to the Federal Bureau of Statistics. The data on growth are included in the questionnaire design and its completion by provinces and line ministries. A special committee in which the Chief Economist of the Planning Commission sits as a member examines the collection of data. The data on measuring poverty and income distribution are extracted from Income and Expenditure Surveys conducted for various variables by the Bureau of Statistics. To obtain valid estimates for provinces and districts, the size of these surveys needs to be increased. This increase can be determined by specialists on data collection and its analysis.

Data on poverty: The data on poverty levels was needed by the Ministry of Finance to trace the impact of the poverty reduction strategy agreed by it with IMF in its Poverty Reduction Strategies program in the Musharraf rule. The Ministry of Finance had given this task to a special poverty cell. Funding from United Nations Development Program (UNDP) was given to this Cell. Specialists from the Bureau of Statistics who had been previously trained on poverty analysis by the Dutch government were posted in the cell.

The Working of the poverty cell: Ministry of Finance had worked closely with senior officials of the Planning Commission to ensure that the estimates of the poverty level were kept lower. The standard of poverty in terms of calories per adult unit per day was reduced from 2550 calories to 2350 calories. This reduction of calories requirement was contested by IMF and the research Scholars. Planning Commission should strengthen its cell on poverty and instruct it to release estimates of poverty and income distribution estimated by its staff soon after their compilation. It should also not allow the Ministry of Finance or other government agencies to change the analysis

on poverty carried out by the cell.

Research and training: Mahbub-ul-Haq was the Chief Economist of the Planning Commission. He was responsible for giving PIDE a special role in doing research on Planning in addition to its own research agenda. This type of research was made a part of PIDE's work program. Haq (2007) came from Yale and Harvard Universities. Dr. Haq had set up a research section in the Planning Division which was made responsible for identifying the research topics that the Planning Commission had needed to do. Dr. Meekal Ahmad was appointed as chief of the research division. The best economists who had a research capability were given the research contracts. Planning Commission had encouraged PIDE to help do proper research. Recruitment of such staff in planning commission and PIDE was on pure merit. In cases of poor performance, PIDE's staff was asked to resign. Only the best staff were retained and were trained from foreign universities. Staff trained in Pakistan's planning commission used to come from international institutions like World Bank, IMF, Asian Development Bank and UN agencies. It had continued working on old lines but was never as good as it was during the previous period.

Question of balance between sectors: The balance between the public and private sectors in Pakistan has been changing over time. During the late fifties and sixties, the private sector in agriculture and industries was important. There has been a major problem in not giving importance to the citizen sectors as NGOs in Pakistan were few.

Profile of ex-deputy chairmen: The Deputy Chairmen were responsible for guiding the staff working in Planning Commission. They had also given the assignments to senior officers in the planning commission. The background of the Deputy Chairmen was, therefore, important. Some of the Deputy Chairmen of the Pakistan Stock Exchange had worked in international organizations like IMF, World Bank or United Nations. Professor Ahsan Iqbal had foreign training in finance after getting a degree in business finance from U.S. Dr. Nadeem ul Haq and Shahid Amjad Chaudhry had limited experience working in government.

Analysis of Pakistan Support Development Program (PSDP)

PSDP, i.e., Public Sector Development Programme, is the development program for Federal, Provincial, and Public Sector Enterprises. It is funded from budgets of federal, provincial, and local governments, foreign assistance, and self-financing. PSDP includes all costs of projects, including some of the current expenditures (Haqqani, 2005). The strategic thrust of PSDP is given below:

- Preparation of MTDF, Annual Strategy and Program by the Line Ministries and compiled by PC
- Improving Knowledge Management (training, distance learning, information, publications, IBPs, database, websites) through easier access to knowledge, procedures, and systems
- Follow-up on the macroeconomic framework
- Private Sector Development
- Delegation – Devolution
- Better management and full ownership of "Foreign Funded Projects," through improved interaction with development partners

Table 6 given below gives the sectoral distribution of PSDP. It provides only the names of different sectors proposed to be set up in the Planning Commission. Reform Package and the Role of Restructured Planning Commission
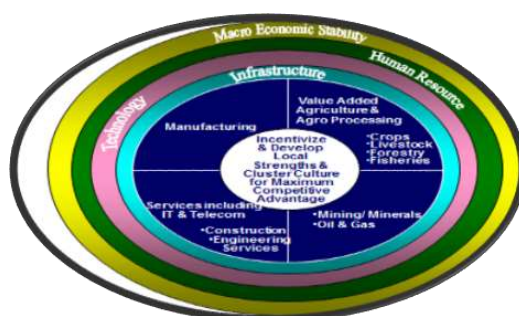

Table 6: Sectoral elements of PSDP

This sub-section presents a vision of the restructured Planning Commission and the challenges and role of the Planning Commission. The vision of the Planning Commission is given below:

- A research institute that focuses on mid and long policy is needed.
- It must plan for a variety of eventualities.
- It should benchmark with the best apex planning organizations of the successful developing countries in terms of best practices

Challenges and roles of the Planning Commission during the next 20 years or so are given below. Instruments of the reforms are also described.

Table 7: Challenges and Instruments of Planning Commission

Challenges	Instruments/Methodology of Planning Commission
1. PC should equal if not excel WB and ADB expertise and best practices	Better HR strategy, better work culture, more Knowledge Products and Services (KPS)
2. Traditional Model of "Establishment Controls" and "Micromanagement" of the Line Ministries is an outdated model	- Delegation - Devolution - Constitutional provisions relating to demands for grants and accountability
3. Institutional deficit of the Line Ministries should be made good	- Up-gradation - Delegation–Devolution - Improved Focus
4. Increased focus on economic growth, development effectiveness and performance outcomes	Knowledge management and better knowledge products and services
5. Development has to be conceptualized by All – PC should be enabler and facilitator and should be steering and not rowing	- Annual Strategy and Program (ASP) for both Current Budget and Development Budget - Concept papers to precede PC-I through ASP
6. Development is not projects. It is economy and its has to be thematic and not linear	Follow-up on the Macroeconomic Framework on quarterly basis

Conclusion

The Planning Commission in Pakistan was set up in the light of the Russian experience of development performance which was instrumental in changing the structure of the Russian economy from subsistence to a modern structure of planning. The structure of Russian Planning in view of no private sector or markets was not very relevant to planning in Pakistan. Pakistan had, however, evolved a Planning Commission at the federal level and provincial Planning Boards, which were different than Russian or other countries' structures. The government and the planning agencies were involved in physical and social infrastructure. Planning Commission's staff who has trained abroad during the 1960s had left Planning Commission and joined international agencies. This had resulted in poor planning, especially with respect to the introduction of new models of planning. Out of 23 Deputy Chairmen, only three were politicians, and three were from donor agencies. Some of the other conclusions with respect to planning are given as under:

- Qualified independent PDs have not been appointed in more than fifty percent of the projects. The absence of dedicated PDs is a serious impediment in smooth execution/implementation/utilization of projects
- Financial/administrative powers in most of the cases have not been delegated, leading to indecisiveness and delays
- Planning & Monitoring cells have been established in only 65% of the divisions. The strength, where established, is inadequate, affecting the performance of line ministries

- Ban by provinces in recruitment & procurement is affecting the implementation of projects, especially in Social Sectors which have been devolved to provinces.
- Centralized procurement has delayed the execution of projects (e.g., health), leading to underutilization of funds
- Projects Wing does not have adequate financial and physical resources to monitor PSDP leading to selective monitoring of a few projects

RECOMMENDATIONS

The Pakistan economy is only going to become more complex, and hence devising policies will require increasingly sophisticated skills. It is therefore important that the Planning Commission put in place measures that will keep upgrading the professional quality of its staff. For the country's Plan to be successful, the Planning Commission must ensure a meaningful interaction not only between itself and the provincial planning departments, but it must also ensure a substantial degree of coordination between the planning departments of the different provinces. Pakistan needs to have a look at its policy package and should reform its planning process (Le, 2016; Munandar & Firmansyah, 2018). Planning Programs for successful developing countries like South Korea, Taiwan, Malaysia, and Indonesia should be noted. The planning program in these countries was ambitious, but with the changes in the structure of the economy, planning agencies had reduced their role. South Korea, Taiwan, and Malaysia are examples of successful developing countries with similar reforms in their planning agencies.

The value of a development plan is determined not by the plan itself, but by how much the plan contributes to the development of the economy when properly implemented. It is preferable to have a poorly-designed plan implemented correctly rather than a good plan implemented incorrectly if the poorly implemented plan contributes to the country's rapid economic development.

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