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# A Critical Evaluation of Strategies of Economic Development Planning in Pakistan during Last 30 Years: Way Forward

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## Abstract:

Planning has remained the main component of the growth strategy adopted by nations to accelerate their growth in recent times. Being cognizant of the importance of the planning process, the Government of Pakistan, since its inception, has made various strategies for economic development based on the principle of balanced and sustainable growth. Pakistan has progressed, yet the pace has not been fast and diversified enough to substantially improve the living standards of the people and push the country from the lower income to the upper-middle-income group. The overall and sectoral growth path has remained uneven and bumpy. There have been periods of high, moderate, and slow economic growth and sector performance. The incidence of poverty and income and wealth disparity has remained high. Thus, the overhang of macroeconomic imbalances coupled with political uncertainty and structural problems has inhibited the long-term growth prospects of the economy

## Key words:

Planning, Economic Development, Sustainable Growth, Income Disparity, Macroeconomic Imbalances

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## *Introduction*

Economic development planning is considered a key driver that brings economic growth with increased employment, high-wage jobs, industrialization, and an increase in per capita income, thus reducing poverty and improving the quality of life. In order to achieve development, economic management and planning of limited resources are very critical. Economic planning, also referred to as development planning, either short-term or long-term, plays a critical role in responding to the challenges faced by the economy. The idea of planned economies and development planning is not very new; however, the phenomenon gained momentum after the First World War as many economists emphasized that running an economy through planning is critical for achieving sustainable economic growth. Even in the current era, the significance of planning cannot be denied as issues like increased competition, the information technology revolution, and unpredictable events the world has witnessed in recent years have created more pressure on existing resources.

The importance of planning increases manifold for countries facing fiscal crises with subsequent urges for stabilization, structural adjustment, and reform. Governments set their visions, missions, objectives, and goals, which are achieved through development plans; therefore, plans are controlled and directed towards achieving set targets. However, it is evident that planning without the effective role of institutions, solid commitment, and strong leadership cannot achieve desired targets and sustained economic growth. It does not matter how excellent a plan has been prepared by the planners of the country; if it is not properly implemented, then the plan is merely a document. To effectively implement plans to achieve growth, stability, and development, a long-term commitment from all stakeholders is required.

Similarly, through strategic economic planning, specific quantitative targets are set to be achieved within a stipulated time. Governments set visions and targets in long-term plans, and subsequently, short-term annual plans are prepared to achieve set targets on a yearly basis. The importance of short-term planning is evident, but long-term planning is considered the most efficient tool for sustainable growth.

## *Problem Statement*

In general, the world is composed of two types of economies: the North—the developed—and the South—the developing. The focus of each economy is to attain a sustainable economic development process by formulating favorable and suitable strategies, which depend upon the structure of the concerned economy. In Pakistan, in order to improve the growth and development process, various strategies in the form of short-

term and long-term plans have been followed. However, the desired results have not been achieved yet. This necessitates critically analyzing various plans of the government in terms of targets set, achievements made, and the reasons for failure or success.

### *Research Questions*

The objective of the research study is to critically evaluate the reasons for the success or failure of various strategies and plans adopted by the Government of Pakistan to achieve sustainable economic development. The following key questions are addressed in this research study:

- a. How effective were the various national strategies/plans adopted from time to time for the economic development of Pakistan?
- b. What was the impact of these plans on various economic indicators?
- c. A critical analysis of various development strategies encompassing their successes and failures

### *Significance & Scope of the Study*

Owing to the paucity of time, and physical and financial resources, the present research is confined to critically evaluating the strategies of economic development planning in Pakistan. There shall be no primary data collection; rather, the research shall be based on secondary sources of information. The analysis will be done only for Pakistan, and the time period will be from 1992-2022.

### *Literature Review*

Development planning in underdeveloped countries is usually based on the goals and objectives of the governments that are related to the future development of the economy. A plan document presents a set of certain principles and policies used to implement strategy and achieve targets. Economic planning is defined as the “deliberate act” by the government to mobilize available resources to achieve a pre-determined set of specific objectives (Todaro, 1973). According to Tinbergen, the main purpose of a long-term and perspective plan is to provide background to the short-term plans, so the planning takes into account the short-term perspective of the problems that need to be solved over a very long period (Tinbergen, 1967). Development planning typically covers a period of five years and sometimes even longer, which is referred to as a perspective plan, and all the long-term plans are supplemented by annual plans (Tony, 1967).

In recent years, planning has become a more technical and professional subject; therefore, to devise a plan, planners are expected to undertake specialized training to possess skills that are not possessed by even public administrators and politicians (Ray, 2009). However, despite the fact that development economics contains a wide range of theories and subsequent models, little research is available on economic planning models (Badeaux,

2007).

The perspective plan has many administrative difficulties, such as lack of ownership, change in leadership, political commitment, and the country's financial position, due to which the fulfillment of the objectives becomes difficult. The practice of planning has not been able to bring many of the benefits expected from it. Waterston studies the early period of development planning in more than fifty countries and claims that "the great majority of countries have failed to realize even modest income and output targets in their plans except for short periods. What is even more disturbing, the situation seems to be worsening instead of improving as countries continue to plan" (Waterston, 1965). According to Dr. Mahbub-ul-Haq, the crux of successful control through planning in Pakistan must be based on controlling certain crucial decisions while the day-to-day activities should be left to market dynamics (Haq, 1960).

The Planning Commission of Pakistan is responsible for preparing and approving economic plans for socio-economic development. However, compared to the magnificent period of the 1960s and 1970s, it witnessed a decline in its role and importance as a vital decision-making body. Further, at present, issues like overregulation of the economy, futile privatization, and half-cooked decentralization imply the need to revisit the PC's structure and functions (Ikram, 2011).

Pakistan is facing different issues like political instability, social and cultural constraints, international and national security, economic pressure, and policy inconsistency. The government has more focus on ad-hoc measures to deal with existing economic challenges. In order to address these issues, there is a need to make effective long-term planning and strategies to sustain economic growth and development (Khan, 2005). Pakistan is using short-term measures to run the economy, but these measures do not ensure sustainable economic growth and stability unless they are planned and implemented in a way to achieve long-term growth (Mamoona, 2017).

### *Research methodology*

This research paper is qualitative in nature and analyzes various reports on the issue of development. Most of the data is obtained from secondary sources like Pakistan Economic Surveys, Annual Plans, and FYPs, as well as from other government agencies. Various reports and articles have also been used for the purpose of analysis.

### *Organization of the Paper*

This paper has been organized into three main sections as follows:

- Section 1 will discuss various plans and strategies adopted by the Government of Pakistan from 1993 onwards to achieve sustainable economic development.
- Section 2 will highlight the impact of these strategies on the attainment of

sustainable development goals.

- Section 3 will critically evaluate the impact of these policies on economic development, followed by conclusions and recommendations.

## *Analysis*

### *Situational Analysis*

#### *Background*

Pakistan started life as an independent country in 1947 with various problems such as a Balance of Payments (BoP) deficit, poverty, and inadequate infrastructure. Therefore, the early years of independence are also considered years of battle for economic and political survival. To manage these economic issues, an independent institution named the Development Board (DB) was initially established in 1948 in the Ministry of Economic Affairs for economic coordination.

In 1950, Pakistan's first Planning Board was established; however, the plan prepared under this regime could not be implemented on time. The Planning Board was later renamed the Planning Commission of Pakistan in 1953. At that time, the PC inherited a number of issues, such as a shortage of trained planners and economists, lack of reliable data and data collection sources, lack of coordination among respective agencies, political instability, and, most significantly, annual economic planning and economic priorities were not given due importance. The first five-year plan prepared by the PC could not be implemented properly mainly due to lack of support and political instability.

Under the Chairmanship of the Prime Minister, the National Planning Board was established in 1957. However, the third phase of the planning process was initiated under the military regime in October 1958. Compared to earlier regimes, the military government of Ayub Khan prioritized economic development through a market economy, focusing on the private sector as its primary objective. While formulating plans, due importance was given to rapid industrialization, enhancing agricultural productivity, overcoming the problem of BoP, and ensuring consistency in policies. In 1961, the role of the PC was enhanced to a Division under the chairmanship of the President (both the Chairman and Deputy Chairman positions). Subsequently, the PC served as the secretariat for the National Economic Council (NEC). Economic and social reforms were high-priority agendas during 1958-68, focusing on economic planning and basic needs for the overall public. This period witnessed rapid growth as economic performance exceeded initial expectations, with a GDP growth rate of almost 7%, even higher than growing economies like Korea, Thailand, and Mexico. The decade saw massive increases in investment, technological advancement, and improvements in

the industrial and agricultural sectors, along with better-coordinated economic policies (Ayesha, 2020).

However, this development momentum was severely disrupted during the Pak-India 1965 war, which led to a significant decrease in Foreign Direct Investment, squeezed public sector investment, and increased defense spending, resulting in policy inconsistency and a break in growth momentum. Nevertheless, the Ayub era is still considered a golden period, as the success of policies was reflected in the performance of institutions like the PC and Pakistan International Airlines (PIA), which was widely acclaimed. Even countries like Malaysia and Singapore followed Pakistan's FYP while formulating their respective plans.

From 1968-71, the PC of Pakistan faced a downturn once again as economic planning was almost abandoned during Yahya Khan's time. After March 1969, the third FYP was virtually abandoned. Later, the People's Party, which was in power at the time, was dismissive of the PC, thus ignoring it and economic planning during their era, particularly in the early years. Subsequently, consistent political turmoil and policy inconsistency compelled the government to route the economy through annual plans instead of a comprehensive FYP.

Once again, the PC's position was changed by placing it directly as a Division under the control of the Ministry of Finance in 1972. Therefore, from 1972-77, the PC was unable to play a significant role in important economic decisions and formulating development plans independently. However, the need for FYPs and the importance of the PC were once again emphasized during the Zia regime from 1977-1988. In 1982, the PC was restructured under the Minister for Finance as the Chairman, and during Zia's regime, the PC played its role effectively. During this period, the sixth FYP (1983-88) was successfully implemented, while the seventh FYP was prepared and published. However, with the People's Party government in power in 1988, the seventh FYP was never implemented.

### ***Plans Adopted by Pakistan During the Last 30 Years*** ***8th Five-Year Plan (1993-98)***

The NEC approved the 8th FYP on May 31, 1994. The primary goal of the plan was to achieve sustainable economic growth in an environment of justice, equity, and macroeconomic stability. The plan was based on a set of planned and centralized economic goals aimed at: (i) increasing output and employment, (ii) improving fiscal and external balance, (iii) providing social services, including education, health, population welfare, sanitation, and potable water, (iv) expanding infrastructural facilities, (v) technological

advancement, (vi) self-reliance, (vii) balanced regional development, and (viii) poverty reduction.

The objectives of the plan were to:

- i. Achieve a 7% per annum growth in GDP (9.9% in manufacturing and 4.9% in the agriculture sector) through the resourceful use of existing assets and by mobilizing domestic and foreign resources at optimal levels.
- ii. Encourage people's participation in the development process through equitable distribution of benefits.
- iii. Create further employment opportunities by growing productive chances through government policies and programs, along with private initiatives.
- iv. Adopt an integrated approach to income generation through human resource development.
- v. Ensure more self-reliance, particularly in public finance, food, energy, and external stability.
- vi. Protect the environment by conserving natural resources.
- vii. Promote good governance.
- viii. Ensure macroeconomic stability and fiscal discipline.

The plan size was Rs. 1701 billion at 1992-93 prices (PC, 1994). The plan targeted a 7% annual growth during the plan period. The agriculture growth target was set at 4.9%, and the growth of the industrial sector was set at 9.9%.

The coverage of population planning was targeted to increase from 20% to 80%. Rural water supply coverage was targeted to grow from 47% to 71%. Rural sanitation was projected to increase from 14% to 32%. The Ghazi Brotha Hydel Power Project was envisaged to be constructed, while thermal projects of WAPDA were planned to be privatized, and electricity provision to 19,700 villages was targeted. Telephone connections were targeted to increase by 125%. It was also planned to complete the Indus Highway, Islamabad-Lahore Motorway, Coastal Highway of Makran, and the construction of Gwadar Port with the partnership of the private sector (PC, 8th Five-Year Plan, 1994).

### ***Perspective Plan (2001-2011)***

The significance of national development from an integrated long-term perspective was recognized during Gen. Musharraf's era. Therefore, the government initiated a ten-year perspective plan (2001-2011) along with a 3-year rolling development program in 2001. The plan included a macroeconomic framework, a public sector development program, and sectoral priorities. The focus of the plan was on halving food poverty (from 30% to 15%), raising the growth rate to 6.3% in the terminal year of 2010-11, and substantially enhancing the level of human development. This was to be achieved by increasing the total investment from the benchmark (2000-01)



level of 14.7% of GDP to 20.6% in 2010-11. The Perspective Plan's main targets and performance in the first three years (2001-03) are shown in Table (PC, Perspective Plan of Pakistan 2001-2011, 2001).

**Table1: Perspective Plan Performance**

Growth rate per annum	Target (2010)	Performance 2001-03 (Average)
GDP	6.2	4.9
Agriculture	4.2	2.3
Manufacturing	8.3	8.3
Inflation per annum %	4.0	3.6
<b>As percent of GDP</b>		
Investment	20.6	17.2
Fixed savings	19.0	15.6
National savings	20.0	17.6
External resources	0.6	0.4

Source: Perspective Plan 2001-2011, Planning Commission, 2001

#### ***Medium-Term Development Framework (MTDF) (2005-10)***

Medium-term planning (five years) was revived with the launch of the MTDF 2005-10 in May 2005. The nomenclature was changed from plans to development framework, as the nature of the plans was indicative and provided only broad directions. The MTDF was conceived as a step towards achieving the new Vision 2030. It was the first step towards operationalizing Vision 2030. Although called a framework, it was as comprehensive as any previous plans.

Its objectives were framed within the parameters of the vision. The focus was on sustained high growth averaging 7.6 percent per annum (agriculture 5.2%, manufacturing 11.6%, and services 7.3%). Growth and investment were premised on macroeconomic stability with an emphasis on containing the fiscal deficit to 4 percent of GDP in the terminal year of 2009-10, monetary policy geared to keep inflation in check (7% by the terminal year), and reducing the external imbalance (current account deficit at 2.4% of GDP in 2009-10) through export promotion (Commission, 2005).

**Table 2: MTDf-Selected Targets and Goals**

<b>Growth Rates</b>	<b>2004-05</b>	<b>2009-10</b>	<b>Annual Average (2005-10)</b>
GDP	8.4	8.2	7.6
Agriculture	7.5	5.6	5.2
Manufacturing	12.5	12.2	11.6
Services	7.9	7.9	7.3
<b>Savings/Investment</b>			
National Savings	15.1	18.3	17.1
Total Investment	16.8	20.7	19.4
Inflation	9.7	7.2	7.0
<b>External Economy</b>			
Exports Billion \$	14.00	28.00	14.9
Imports Billion \$	17.55	33.21	13.6
CAD Billion \$	- 1.7	- 4.9	

Source: Medium Term Development Framework, Planning Commission, 2005

### ***Non-Plan Period (2010-2013)***

The period from 2010 to 2013 was a non-plan period during which Annual Plans 2010-11, 2011-12, and 2012-13 were prepared. The main elements of growth outlined in these plans were:

- Ensuring economic recovery through economic reforms under the 'New Economic Growth Framework'
- Investing in human capital to reap the population dividend
- Reviving industry and agriculture
- Boosting domestic and regional trade
- Encouraging the participation of the private sector in the development process
- Investing in the social sector
- Improving connectivity among people and places
- Implementing energy sector reforms

**Table 3: Selected Targets during 2010-13**

<b>Sector</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
Agriculture (%)	3.8	3.4	4.0

Industry (%)	4.9	3.1	3.8
Services (%)	4.7	5.0	4.6
<b>GDP (bp) (%)</b>	<b>4.5</b>	<b>4.2</b>	<b>4.3</b>

Source: Annual Plans of 2010-11, 2011-12 and 2012-13, Planning Commission

#### *11th Five-Year Plan (2013-2018)*

The 11th FYP was prepared with the objective of bringing about balanced economic, human, and social progress throughout Pakistan. It envisioned growth revival and aimed to strengthen Pakistan's development foundation, enabling it to reach the status of an upper-middle-income country. It set a number of goals/targets to be achieved in the fields of education, health, governance, security, energy generation, water and food security, ease of doing business, investment, productivity, and connectivity (PC, 11th Five-Year Plan, 2013).

**Table 4: Targets of 11th Five-Year Plan**

<b>Sector</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2013-18 (Avg. growth)</b>
Agriculture (%)	2.7	2.9	3.9	4.0	4.0	3.5
Industry (%)	4.5	3.6	6.4	8.2	9.0	6.3
Services (%)	4.4	5.0	5.7	6.8	7.3	5.8
<b>GDP (bp) (%)</b>	<b>4.0</b>	<b>4.2</b>	<b>5.5</b>	<b>6.5</b>	<b>7</b>	<b>5.4</b>

Source: 11<sup>th</sup> Five Year Plan, Planning Commission, 2013

#### *12th Five-Year Plan (2018-2023)*

The 12th FYP was presented in an environment of severe macroeconomic inequalities and significant structural deficits. The primary objective of the plan was to ensure the long-term sustainability of economic growth. It also aimed to create sufficient job opportunities to make the growth experience more inclusive. The plan also focused on improving the distribution mechanism for economic development with effective service delivery, efficiency, and productivity. The plan was built on the premise of quality human capital, industrial competitiveness, upscaling technological capabilities, sustainable agriculture, a national SME policy, a strategic trade policy framework, social protection, financial inclusion, and an investment strategy for attracting foreign direct investment through effective resource allocation. However, despite receiving principal approval from the NEC, this plan was shelved and remains inactive due to the change of government in

2018. Successive new governments have shown little interest in launching this plan.

### ***Impact of Economic Development Planning during last 30 Years***

#### ***Performance during the 8th Five-Year Plan (1993-98)***

A pro-private sector strategy was adopted by initiating programs of deregulation, liberalization, privatization, and simplification of rules and procedures for implementing the 8th Five-Year Plan. However, despite the stated objective of self-reliance, the plan heavily relied on external and borrowed resources. Foreign assistance was sought on a large scale to meet the critical shortage of foreign exchange and finance the plan. This led to a 'debt trap' and imbalances in fiscal and external balances. Despite resource constraints and frequent natural calamities like droughts, the economic growth rate ranged between 4.4% in 1993-94 and 3.5% during 1997-98, the duration of the 8th Five-Year Plan.

**Table 5: Actual GDP (%) during 8<sup>th</sup> FYP (1993-98)**

<b>Year</b>	<b>GDP Growth Rate (%)</b>
1993-94	4.4
1994-95	5.1
1995-96	6.6
1996-97	1.7
1997-98	3.5

Source: Pakistan Economic Survey, Ministry of Finance, 1999-2000

The public expenditure on the social sector was increased, and new initiatives like the Social Action Programme (1992) were adopted, yet social indicators did not show marked improvement. This reflects the severity of the problem, the inadequacy of resources and implementation machinery, lack of social response, and frequent changes in governments and their policies. In the 1990s, the plans also suffered due to (i) higher priority given to IMF/World Bank-sponsored programs of stabilization and (ii) the introduction of mega projects, such as motorways, which were not part of the plans, by the government of the day. Thus, resources were diverted from planned programs to those which were either not part of the Five-Year Plans or had low priority in them.

#### ***Performance of the Perspective Plan (2001-2011)***

During this period, a wide-ranging set of reforms was introduced to make the economy open, liberalized, and market-friendly. The private sector played an important role in supporting these changes. The major objective was to achieve high growth of 8.2% in the year 2009-10, with an annual average growth of 7.6% during the five-year period, without compromising

macroeconomic stability. The second objective was to achieve higher investment growth to address the persistent issues of poverty reduction, improve access to basic necessities for upgrading human resources, and create more job opportunities.

The agriculture sector grew from 4.8% in 2005-06 to 5.6% in 2009-10. Meat production increased from 2,275 thousand tonnes in 2004-05 to 3,124 thousand tonnes in 2009-10, and milk production rose from 29,472 thousand tonnes in 2004-05 to 43,304 thousand tonnes in 2009-10. However, with the fall of Musharraf's government in August 2008, the perspective plan did not receive the new government's attention, and most of the other targets were not achieved.

#### *Medium Term Development Framework (MTDF) (2005-10)*

The performance of Pakistan's economy during the first two years of the MTDF was satisfactory, with the industry and services sectors gaining momentum due to the government's fiscal stabilization plan and the rationalization of the public-private mix in the economy. Industry achieved remarkable growth of 9.4% and 9.0% in the years 2005-06 and 2006-07, respectively, while services grew at 8.2% and 5.6% in the respective years.

The growth of the IT and Telecom sectors was substantial during the MTDF. The target for increasing mobile phone coverage was achieved in 2007, two years earlier than planned. Nearly 60,000 IT professionals operated in the country, with an annual average turnover of Rs. 12 billion, of which 15% was exported. It was also estimated that key exports would rise from Rs. 14 billion in FY 05 to Rs. 28 billion during FY 10.

However, the economy could not sustain the growth momentum, and the effects of the global financial crisis of 2007-08 began to take hold. The growth of the industry and services sectors receded in subsequent years, reaching -4.2% and 1.3%, respectively, in 2008-09. In fiscal year 2009-10, the economy showed resilience with signs of recovery: Industry grew at 1.4% and services at 3.2%.

**Table 6: MTDF Performance**

Items	5-Years Annual Average Targets (%)	5-Years Actual (Annual Average) (%)
Agriculture	5.2	3.2
Major Crops	7.0	0.6
Industry	10.2	4.5
Manufacturing	11.6	4.8
Services	7.3	4.8
Wholesale & Retail	9.7	2.4

Trade		
GDP(fc)	7.6	4.3
<b>As % of GDP (mp)</b>		
Total Investment	19.2	19.7
National Savings	16.3	15.0
Foreign Savings	4.8	4.8
<b>Other Items</b>		
Inflation (CPI)	7.4	12.0
Per capita income (fc-Rs)	50903	33296

Source: Medium Term Development Review, Planning Commission, 2011

### *Performance during the Non-Plan Period (2010-2013)*

During this period, all growth targets were missed, whether for GDP growth or the growth of agriculture, services, and industrial sectors. For the year 2010-11, the growth targets were 3.8% for agriculture, 4.7% for services, and 4.9% for industry. However, the actual growth was 2% for agriculture, 2.5% for industry, and 3.9% for services. The GDP growth was recorded at 3.6% against the target of 4.5%. For FY 2011-12, the growth target for agriculture was 3.4%, but the actual growth was 3.6%, which was 0.2% higher than the planned target. Nevertheless, industry grew at 2.1% against a target of 3.1%, and the services sector recorded a growth of 4.4% against the target of 5%. During this period, the GDP growth was 3.8%, while the projected target was 4.2%. Similarly, for FY 2012-13, the targeted growth projections were 4% for agriculture, 3.8% for industry, and 4.6% for services. However, industrial growth surpassed the target by 1.1%, ending at a growth rate of 4.9%. The services sector also exceeded the growth target by 0.5%, ending at a growth rate of 5.1% against the target of 4.6%. The performance of the agriculture sector remained weak during this fiscal year, with an actual growth of 2.7% against the target of 4%. The GDP growth also fell short of the projected target of 4.3%, ending at 3.7% by the end of the year. Thus, the performance during this period, also known as the non-plan period, was a mix of boom and bust in all three real sectors of the economy. The growth target for GDP was not achieved throughout the entire period.

**Table 7: Actual Growth during 2010-2013**

Sector	Targets	2010-11 Actual Growth	Targets	2011-12 Actual Growth	Targets	2012-13 Actual Growth
Agriculture (%)	3.8	2.0	3.4	3.6	4.0	2.7
Industry (%)	4.9	2.5	3.1	2.1	3.8	4.9
Services (%)	4.7	3.9	5.0	4.4	4.6	5.1
<b>GDP (bp) (%)</b>	<b>4.5</b>	<b>3.6</b>	<b>4.2</b>	<b>3.8</b>	<b>4.3</b>	<b>3.7</b>

Source: Annual Plans of Planning Commission, 2011-12, 2012-13 and 2013-14

***Performance during the 11th Five-Year Plan (2013-2018)***

The external sector remained depressed during the 11th Plan period. The current account deficit increased considerably from 1.3% of GDP in 2013-14 to 6.3% in 2017-18 (against the Plan target of 1.2%), with exports declining from 10.3% of GDP to 7.4% and imports increasing from 18.4% to 19.3% in the respective years. During the period, the trade deficit increased from 8.2% to 11.9% of GDP.

**Table 8: Actual Growth during 11<sup>th</sup> Five-Year Plan**

Sector	2013-14	2014-15	2015-16	2016-17	2017-18	2013-18 (Avg. growth)
Agriculture (%)	2.5	2.1	0.2	2.2	3.9	2.2
Industry (%)	5.7	3.9	3.7	5.8	5.4	4.9
Services (%)	4.5	4.4	5.7	6.5	6.3	5.5
<b>GDP (bp) (%)</b>	<b>4.1</b>	<b>4.1</b>	<b>4.6</b>	<b>5.2</b>	<b>5.5</b>	<b>4.7</b>

Source: Ministry of Finance, Pakistan Economic Survey, 2018-19

***Critical Analysis of Economic Planning during last 30 Years******Critical Analysis of the 8th Five-Year Plan (1993-98)***

The period from 1988 to 1999 was marked by economic and political instability. During this time, four elected governments were dismissed on charges of corruption. This overshadowed the role of the Planning Commission (PC), which remained limited to the preparation and submission of reports, while the implementation side was largely ignored.

Under these circumstances, the targets of the 8th Five-Year Plan were not well achieved. The target for wheat production was set at 18.3 million tons, while the actual production remained at 16.6 million tons by 1996-97. The target was achieved in the last year of the plan but fell to 17.8 million tons in the following year. Moreover, the target for non-traditional oilseeds, grapes, and mustard was set at 0.4 million tons, which was far below national requirements. Similarly, the projected target for agricultural credit was Rs. 80 billion, but the maximum credit disbursed during this period was Rs. 38 billion, most of which went to influential feudal lords and politicians rather than to common farmers.

***Analysis of the Perspective Plan (2001-2011)***

Pakistan remained in a state of jeopardy following the military coup of 1999. The business community had lost confidence due to unstable economic conditions, including the nuclear tests, rupee devaluation, freezing of foreign currency accounts, and the Kargil War in 1998.

However, during the era of General Pervez Musharraf, known for economic

and political restructuring, the GDP grew by 5.1% (from 2.6% in 2000-01 to 8.4% in 2004-05). A comprehensive set of structural reforms and economic stabilization measures, including privatization, deregulation, trade liberalization, banking sector reform, capital market reform, tax system reform, and agricultural sector reform, were launched to address the severe macroeconomic crisis and set the economy on a path of financial stability, sustained higher growth, and improved external balance of payments. The government believed that macroeconomic stability was vital for achieving higher and sustained economic growth, preventing people from falling below the poverty line, and creating employment opportunities.

By 2000-01, the economy began to show signs of improvement as a result of these measures. The growth of the manufacturing sector was 11% in FY 2001, compared to 3.6% in FY 1999. Revenue collection surpassed the target, with the Federal Board of Revenue achieving Rs. 396 billion against a target of Rs. 308 billion. Debt servicing declined from 64% to 57% of total revenue, while exports increased from \$7.8 billion to \$9.2 billion. Pakistan also witnessed a 24% decline in poverty, and improvements were recorded in other social sector indicators. Pakistan's ranking in the Human Development Index (HDI) improved significantly in 2005, reflecting the policies pursued by the government during this period. In 2005, the government authorized the PC to issue the Tenth Five-Year Plan, named the 'Medium Term Development Framework 2005-10'.

#### *Analysis of the Medium-Term Development Framework (2005-10)*

The global financial crisis interrupted the growth trajectory of Pakistan's economy in 2007-08. A disturbed political environment, worsening law and order situation, supply shocks, soaring commodity prices, and a slump in external demand dragged Pakistan's economy away from the targeted growth in almost all sectors.

An increased outflow of private portfolio investment, totaling US\$ 1 billion, was witnessed in 2007-08 and 2008-09. The balance of payments position during 2007-08 remained under considerable pressure due to sharp increases in oil and food commodity prices and low growth of traditional manufactured exports. An unprecedented power shortage posed serious hardships for manufacturing, which led to a negative growth in the industrial sector in 2008-09. Investment and savings were close to projected targets. Inflation over the MTDf period remained volatile, with a five-year annual average inflation rate of 12.0%.

#### *Analysis of the Annual Plans (2010-2013)*

The economy showed modest growth of 3.6% during 2010-11. The planned economic reforms under the 'Economic Growth Framework' could not take effect due to structural impediments, a deteriorated security situation, a low revenue base, and subdued development spending due to natural calamities (floods). During 2011-12, economic recovery continued at a slightly increased



growth rate of 3.8% compared to 3.6% in the previous year. However, the economy faced issues such as acute energy shortages, inter-corporate circular debt, heavy losses to public sector enterprises, and weak security. During 2012-13, growth dipped slightly to 3.7% due to persistent inflationary pressure, depreciation of the exchange rate, and a huge fiscal deficit.

### *Analysis of the 11th Five-Year Plan*

The average growth of major economic sectors remained below the Plan targets. The agriculture sector grew at an average rate of 2.2%, against the target of 3.5%. The industrial sector achieved an average growth rate of 4.9%, well below the target of 6.3%. However, the services sector remained close to the target, achieving an average growth rate of 5.5% against a target of 5.8%. Overall, the GDP growth averaged 4.7%, below the targeted growth of 5.4%. During the Plan period, total investment increased from 14.6% of GDP in 2013-14 to 16.7% in 2018-19; national savings declined from 13.4% in 2013-14 to 10.4% in 2017-18; and per capita income increased from \$1,389 to \$1,652 in the respective years.

In summary, the implementation of planning remains weak, and lack of consistency in policies further exacerbates the problem. The Perspective Plan, i.e., Vision 2030, prepared during Musharraf's era was not followed by the PPP government (2008-13). The same occurred with the Growth Framework (2012) and Vision 2025 (2014) prepared by the PPP and PML (N) governments, respectively. Instead of treating these strategies and long-term plans as national documents prepared by the PC, each subsequent government treated them as insignificant and initiated plans based on their political objectives. The PTI regime also followed this pattern and did not adopt Vision 2025 (2014). Furthermore, the 12th Five-Year Plan's second draft was approved in principle by the NEC on May 29, 2019, but has yet to be implemented, despite the lapse of more than three years.

### *Conclusion*

Given the above, it is evident that without the political will to carry out reforms, central plans mean little in terms of improving economic conditions. A country can have the best minds designing an excellent plan, but without an efficient implementation mechanism, plans are merely sets of papers. A complementary, and equally important, lesson is that a country needs to have the resources (physical, financial, human capital, etc.) to carry out the envisaged steps in a plan. Furthermore, there is a need for an efficient monitoring and coordination system to implement and coordinate the undertakings according to the plans. Otherwise, even the best plans will only gather dust, as many do in the Planning Commission of Pakistan.

Moreover, the current global economic landscape demands a more systematic and technical approach to planning. It is evident from the above discussions that changes in economic conditions, not only at home but across the globe, make deviations from the original plan inevitable. Therefore, flexibility should be an essential element of development planning; plans can be designed on a three-year rolling basis. The central planning agency must also continuously review and assess the progress of the plans.

### *Recommendations*

Given the above analysis and conclusion, the following are some policy recommendations in view of the limited scope of the study:

- The government, in general, and the Planning Commission (PC), in particular, must be clear about the national priorities to be addressed in the Five-Year Plans (FYP) and annual plans. Sectors to be targeted may be distinguished as primary and secondary importance so that essential sectors are prioritized and focused on in planning.
- To accelerate growth through private sector-led development, there is a need to convince the private sector of the gravity of the government's efforts by giving them due importance and involving them in the formulation process of development plans and policies, as well as extending an appropriate mix of incentives for the private sector.
- In order to play an effective role, the PC must restore its reputation for economic expertise. The PC needs to have strong and fearless planners and bureaucrats so that it can resist and stand against politicians' interference and unwelcome advances in policy-making.
- As planning has become more technical and professionalized, the PC should equip planners with specialized training and operational freedom for research. This way, it can serve not only as a planning body but also as a think tank.
- There should be a concerted effort to develop ownership of the plans and related documents prepared by the PC among all provinces, stakeholders, and particularly the political leadership, thus considering these plans as national documents rather than the agenda of a former government.
- The PC should have extensive coordination and prior consultation with the provincial planning departments while devising economic and sectoral plans and policies to ensure provincial ownership in plan implementation.
- Econometric models need to be devised to improve monitoring mechanisms. Evaluation should be independent and candid, and should not be used merely as a routine exercise to justify plan policies and targets. It should serve as feedback for future planning.

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