

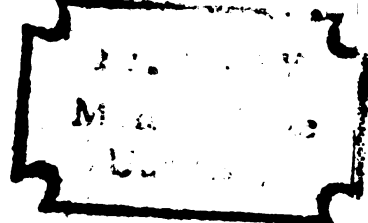
IMPROVED PLANNING AND
CHANGING STRATEGIES FOR AGRICULTURAL
DEVELOPMENT IN EAST PAKISTAN

Thesis for the Degree of Ph. D.
MICHIGAN STATE UNIVERSITY

Mujibur R. Bhuiyah

1968

THESIS




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IMPROVED PLANNING AND CHANGING STRATEGIES
FOR AGRICULTURAL DEVELOPMENT IN
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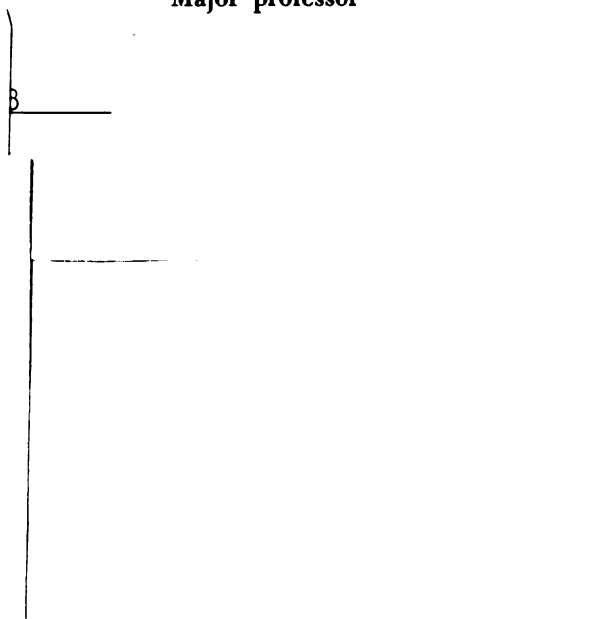
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ABSTRACT

IMPROVED PLANNING AND CHANGING STRATEGIES FOR AGRICULTURAL DEVELOPMENT IN EAST PAKISTAN

by Mujibur R. Bhuiyah

This study explored the reasons underlying the 30 percent increase in rice production in East Pakistan during the second plan period. Specifically it focused on the following two inter-related hypotheses. The increase in rice production was due to (1) improvement in the planning process and (2) changes in agricultural development strategies.

The analysis of the planning process showed major improvements during the second plan. Significant among these were much stronger political support of the plan , better institutional arrangements for economic policy-making and more timely and effective implementation.

The analysis indicated that the second plan was formulated with greater participation by the executing agencies which gave greater realism to programs and helped make possible more effective execution. A series of general administrative reforms aimed at improving administration helped expedite decision-making all along the line on development questions. Decision-making by

the planning agencies on the sanctioning of development projects and concerned with associated policies was also streamlined. These changes not only improved the programming standards but also reduced delays in project execution.

Important budgetary reforms considerably improved plan implementation. Of particular significance was the preparation of and more objective allocation of development funds by the planning agencies in annual development budgets. Introduction of foreign exchange budgeting and much superior management and allocation of foreign exchange helped in the more effective execution of farm input supply programs during the second plan.

More effective utilization of technical assistance during the second plan resulted in improving the professional competence of these planning agencies. Clear evidence of this was found in the much superior documentation of external aid requests which enabled Pakistan to receive a much greater flow of foreign aid which in turn was crucial to the effective implementation of the second plan. The cumulative effect of the improvements in the planning process was reflected in much 'greater absorption capacity of capital' in East Pakistan. A notable example of this was the four-fold increase in

Mujibur R. Bhuiyah

public expenditure for agriculture in East Pakistan during the second plan.

Turning to changes in economic policies, this study showed that changes in both product and factor market policies provided greater incentives for rice production during the second plan. The policy changes in product markets consisted primarily of removing government restrictions on rice marketing which resulted in higher product prices. At the same time buffer stock operations aided by larger imports of foodgrains resulted in greater rice price stability during the second plan.

In factor markets, the pursuit of more consistent subsidized input pricing policies for crucial agricultural inputs significantly improved the cost-price relationships of the farmers.

The improved incentive environment was further strengthened during the second plan by a greatly expanded program to assure the local availability of high productivity inputs. Fertilizer availability increased four-fold, plant protection increased ten-fold. Irrigation projects brought substantial additional areas under rice cultivation. These inputs had considerable impact on the increase in both area and yield of rice during the second plan.

The study concluded that significant improvements in the planning process and better agricultural development strategies were both required for explaining the

Mujibur R. Bhuiyah

increase in rice production in East Pakistan during the
second plan.

IMPROVED PLANNING AND CHANGING STRATEGIES
FOR AGRICULTURAL DEVELOPMENT IN EAST PAKISTAN

By

Mujibur R. Bhuiyah

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PREFACE

This study was undertaken to clarify our understanding of the ways in which agricultural development process may be accelerated. The issue is of fundamental importance to the developing countries and in particular to Pakistan. The experience of East Pakistan provides a valuable empirical example of the fundamental elements involved in implementing better agricultural development strategies. The author's interest in this problem stemmed from his involvement in the agricultural planning process as Assistant Chief in the Agriculture Section of the Planning Board of the Government of East Pakistan.

During the period of graduate study at Michigan State University, he was on deputation from the Government of East Pakistan and supported by a fellowship from the Harvard University Advisory Service under contract with Ford Foundation.

The author is grateful to the East Pakistan Planning Board for sparing his service for three and a half years. He is also thankful to the Harvard Advisory Service for providing an opportunity for advanced study in the USA.

The author wishes to thank Dr. J. B. Hendry, a former member of the Harvard Advisory Group in Pakistan for his keen interest in the development of the author's professional career and competence.

During the course of his graduate work at Michigan State University, the author received professional guidance, intellectual stimulation, and close personal attention from Dr. R. D. Stevens, his major professor, for which the author wishes to express his deep gratitude. Dr. Stevens was instrumental in guiding and unfiringly supervising this study from the beginning to the very end. Sincere appreciation is also expressed to Dr. D. E. Hathaway, Dr. Harold M. Riley and Dr. Paul Strassman, the members of the author's Guidance Committee, for their helpful suggestions and constructive criticisms on this manuscript.

The author sincerely appreciates the secretarial help received from Miss Ann Duncan. Special appreciation is due to Miss Linda Henney for encouragement and moral support.

Finally the author wishes to stress that the views expressed in this study are entirely his own and do not necessarily reflect the views of the Government of East Pakistan.

TABLE OF CONTENTS

LIST OF TABLES	vi
LIST OF FIGURES	viii
LIST OF APPENDICES	ix
WEIGHTS, MEASURES, CONVERSION FACTORS AND ABBREVIATIONS	x

Chapter	Page
I. INTRODUCTION AND THEORETICAL ORIENTATION . . .	1
Problematic Situation.	1
Purpose and Hypotheses of the Study.	4
Theoretical Orientation for Planning	
Agricultural Development	5
Towards a Theory of Agricultural	
Development	6
Role of Planning in Agricultural	
Development	13
II. AGRICULTURAL GROWTH IN EAST PAKISTAN	17
Introduction	17
Growth in Gross Domestic Product and	
the Contribution of Agricultural	
Sector in East Pakistan (1949-50	
to 1964-65).	19
Growth in Rice Production in East	
Pakistan	20
III. IMPROVEMENTS IN PLANNING AND IMPLEMENTATION - A COMPARISON OF THE FIRST AND SECOND PLAN PERIOD.	31
Introduction	31
Planning and Implementation during	
the First Plan Period.	34
Background Environment of Planning	34
The Participation of the Executing	
Agencies in Plan Formulation.	45
The Speed and Effectiveness in the	
Preparation and Approval of Develop-	
ment Projects and Policies.	49
The Observation of Plan Priorities	59
The Use of Technical Assistance in	
Planning and Implementation	64
The Utilization of Expenditures in	
the First Plan.	65

TABLE OF CONTENTS (continued)

Chapter	Page
Planning and Implementation during the Second Plan Period.	68
Background Environment of Planning. . . .	68
The Participation of the Executing Agencies in Plan Formulation.	90
Speed and Effectiveness in the Preparation and Approval of Development Projects and Policies	92
The Observation of Plan Priorities. . . .	101
The Utilization of Technical Assistance in Planning and Implementation	104
The Utilization of Expenditure in the Second Plan	108
Summary and Conclusions	110
IV. CHANGING STRATEGIES IN PRODUCT AND FACTOR MARKETS FOR GREATER FARM INCENTIVES	119
Introduction	119
Product Market Strategy Changes.	120
Withdrawal of Compulsory Procurements . .	120
Increases in the Floor Price and Ceiling Prices for Rice	126
Better Management of Rice Marketing and a Gradual Shift to the Private Trade	133
Factor Market Strategy Changes	141
Summary and Conclusions.	145
V. GREATER LOCAL AVAILABILITY OF HIGH PRODUCTIVITY INPUTS.	148
High Productivity of the New Inputs . . .	148
Greater Local Availability of High Productivity Inputs	154
Causes of Larger Local Availability . . .	162
VI. SUMMARY AND IMPLICATIONS	185
Summary	185
Implications.	195
BIBLIOGRAPHY.	202
APPENDICES	210

LIST OF TABLES

Table	Page
2.1 Administrative Units, Population, Number of Farms, Size Distribution and Classification of Land and Area under Crops in East Pakistan	18
2.2 Gross Domestic Product and Sector Shares in East Pakistan, 1959-60 and 1964-65 (at 1959-60 factor costs)	20
2.3 Growth of Value Added in Agriculture, 1959-60 to 1964-65 East Pakistan (in 1959-60 prices)	22
2.4 Area, Production and Yield of <u>Aus</u> , <u>Aman</u> and <u>Boro</u> Rice (cleaned) in East Pakistan in the pre-plan, first and second plan periods.	23-24
2.5 Changes in Area, Production and Yield of Rice in East Pakistan from the pre-plan through the Second Plan period (1947-48 to 1964-65)	26
2.6 Annual Growth rates of Rice yield, acreage and production by season (1959-60 to 1964-65)	28
2.7 Components of the Sources of increased rice production in East Pakistan	29
3.1 Public Sector Plan Allocation and Utilization to Different Activities within Agriculture in East Pakistan in 1955-60.	67
3.2 Comparison of External Assistance received by Pakistan during the First Plan (1955-56 to 1958-59) and Second Plan (1960-61 to 1964-65)	105
3.3 Actual Annual Public Sector Expenditure of the Government of East Pakistan during the First and Second Plan (all sectors)	109
4.1 Internal Procurement of Rice in East Pakistan (1947 to 1963)	125

Table	Page
4.2 Rice Procured by the Government and the Prices Paid, East Pakistan 1947-48 to 1963-64	132
4.3 The Rate of Fertilizer Subsidy during the Second Plan in East Pakistan	143
4.4 Gross Fertilizer-Rice Input-Output Ratio in 1958 and 1963 in East Pakistan	144
5.1 Estimated Average Return for the Use of Fertilizer in Rice Production, East Pakistan	151
5.2 Estimated Return from Irrigation of Winter (Boro) Rice in East Pakistan 1961-63	153
5.3 Fertilizer Use in East Pakistan 1951-52 to 1964-65	158
5.4 Low Lift Pumps and Area Irrigated during the First and Second Plan (1955-1965) East Pakistan	160
5.5 Field Crops Treated with Plant Protection Measures (1959-60 to 1964-65)	162
5.6 Investments in High Productivity Inputs during the First and Second Plan, East Pakistan (Million Rupees)	164
5.7 Capacity of Godowns by Districts for Storage of Fertilizer ADC and Hired (Tons Dec., 1964)	174
5.8 A Comparison of the Number of Dealers, Fertilizer Sales, and Cropped Area by Districts, 1963-64, East Pakistan	177
5.9 Pumping Sets Sold to Agricultural Directorate and the Agricultural Development Corporation up to May, 1965	179
5.10 Credit Flow in Agriculture in East Pakistan, 1947-48 to 1963-64	180

LIST OF FIGURES

Figures	Page
3.1 Organization for Planning and Implementation during First Plan in Pakistan: 1956	36
3.2 Organization for Planning and Implementation during Second Plan in Pakistan: 1962	72
3.3 A Sketch of the Early Organization of the National Planning Board of Pakistan: 1955	80
3.4 Organization of the Pakistan Planning Commission during the Second Plan: 1962	81
3.5 Agricultural Planning Organization of the Pakistan Planning Commission in the Early Second Plan Period: 1961	83
3.6 Organizational Chart of the East Pakistan Planning Board in Feb. 1957	87
3.7 Organizational Chart of the East Pakistan Planning Board in September, 1963	88
3.8 A Sketch on the Working Relationships among the Planning, Implementation and Executing Agencies in East Pakistan, 1963	100
4.1 Trend of Import of Foodgrains and Prices of Rice, East Pakistan, 1948 to 1963	127
5.1 Organizational Chart of East Pakistan Agricultural Development Corporation, 1960	172

LIST OF APPENDICES

Appendix		Page
1	Central and East Pakistan Planning and Implementation Agencies in Order of Establishment During the First and Second Plan	210
2	Functions of the National Economic Council of Pakistan in 1962	213
3	Functions of the Planning Commission of the Government of Pakistan 1961	215
4	Terms of Reference of the Food and Agriculture Commission	217

WEIGHTS, MEASURES, CONVERSION FACTORS, AND ABBREVIATIONS

Aman = Rice crop sown in summer.

Aus = Rice crop sown in spring.

Boro = Rice crop transplanted in winter.

Rabi = Winter crops of vegetable types.

Taccavi = State agricultural loan given in emergencies.

Haor = Low lying areas which remain under water during rainy season but dry up quickly following recession of water.

Ministries = Central government's main agencies.

Departments = Provincial government's main agencies.

Units of Measurements

One maund	= 82.266 lbs.	One lakh (100,000)	= one hundred thousands
One seer	= 2.057 lbs.	Ten lakhs (1,000,000)	= 1 million
One ton	= 2240 lbs.	One crore (10,000,000)	= 10 million
One acre	= 4840 sq. yards		

Currency Equivalents

One rupee (100 paisa) = 0.21 \$ \$1 = Rs 4.76 (1968)

Abbreviations

ADC = Agricultural Development Corporation

WAPDA = Water and Power Development Authority

FDC = Fisheries Development Corporation

PARD = Pakistan Academy for Rural Development

NEC = National Economic Council

EC = Executive Committee

PPA = Provincial Planning Authority

CDWP = Central Development Working Party

CHAPTER I

INTRODUCTION AND THEORETICAL ORIENTATION

Problematic Situation

During the second five year plan (1960-61 to 1964-65), East Pakistan achieved an annual rate of growth in Gross Domestic Product of 5.4 percent as compared with 1.9 percent during the pre-plan and first plan periods (1949-50 to 1959-60).¹ Although separate figures are not available for East Pakistan it appears that the agriculture sector grew at a rate of not more than 1 percent during the first plan. In contrast, a three percent annual growth rate was estimated for the agricultural sector in East Pakistan during the second plan.²

Turning to the dominant crop, rice, statistics indicate that average rice production in East Pakistan during the first plan period (1955-56 to 1959-60) was about the same as the average for the eight years of the pre-plan period (1947-48 to 1954-55). The average for the second plan period (1960-61 to 1964-65) showed a dramatic average increase of 30 percent in total rice

¹Government of Pakistan, Planning Commission. Third Five Year Plan (1965 to 1970). June, 1965, Chap. 1, Table 12.

²Falcon, W. P. and Gotsch, C. H. "Agricultural Development in Pakistan--Lessons from the Second Plan Period," June, 1966. Report No. 6, Presented at the Bellagio Conference of the Development Advisory Service, June, 1966, p. 33.

production.¹ Detailed data on rice production are presented in Chapter II.

There is general agreement about the magnitude of the increase in rice production in East Pakistan during the second plan, but there is less agreement on the underlying factors which caused this increase. At the time of the beginning of the second plan, two major changes occurred almost simultaneously. First, the planning process in the country was reorganized, strengthened and raised to the highest administrative level of the Government and at the same time was provided with much stronger political support. Secondly, the strategies for agricultural growth were significantly changed. For instance, greater emphasis was laid on the importance of assuring the local availability of high productivity inputs and on stronger incentives for farmers to increase rice production. In view of these two major changes occurring at the same time, one may ask could the large increase in rice production have occurred merely as a result of the improved development strategies without improvements in the planning process? Or, could this growth have occurred as a result of the improvements in the planning process itself without the change in the development strategies?

¹Government of Pakistan, Planning Commission. Handbook of Agricultural Statistics, 1964. Table 32, p. 70.

Perhaps improvements in the planning process and the change in agricultural development strategies were both necessary conditions for increasing rice production during the second plan.

These are important issues that need answers. A better understanding of the fundamental factors underlying the major increase in rice production during the second plan would prove useful for the formulation of future policies and programs for agricultural development in East Pakistan. In addition, this knowledge should be useful for other less developed countries now in the process of organizing for accelerated agricultural growth.

A few studies have attempted to explain the growth in rice production in East Pakistan.¹ These studies, however, have focused on only one or another aspect of growth. They do not go very far in identifying and analyzing the factors underlying the growth in rice production.

-
- ¹The studies, among others, include the following:
- a) Falcon, W. P. and Gotsch, C. H., "Agricultural Development in Pakistan--Lessons from the Second Plan Period," Report No. 6, presented at the Bellagio Conference of the Development Advisory Service, June, 1966.
 - b) Government of East Pakistan, Planning Department, "Working Paper for the first meeting of the High Power Agricultural Policy Committee, " Mimeo 1967.
 - c) Mason, E. S., Economic Development in India and Pakistan. Harvard University Press, Center for International Affairs. 1967.
 - d) Papenek, G. F., Pakistan's Development: Social Goals and Private Incentives. Harvard University Press, Center for International Affairs. 1967.

Purpose and Hypotheses of this Study

The purpose of this study is to explore the thesis that the growth in rice production during the second plan in East Pakistan, was, to a large extent, the result of both improvement in the planning process and better agricultural development strategies. Specifically, the following two interrelated hypotheses and sub-hypotheses will be examined.

1. Major improvements in the planning process occurred just before and during the early part of the second plan period which resulted in more effective implementation of development policies and programs including particularly those for increasing rice production.
2. The growth in rice production during the second plan was largely the result of the following two major changes in agricultural development strategies.
 - a. Significant changes in policies in product and factor markets were made which resulted in increased farm incentives for rice production.
 - b. Much greater local availability of high productivity inputs from off-farm sources was occurred.

After a summary of the theoretical background for this thesis which follows, Chapter II sets the stage for the study by providing background data about the growth in the Gross Domestic Product and rice production in East Pakistan since 1949. The first of the two major interrelated hypotheses regarding the improvements in the planning process is examined in Chapter III. The first part of the second major hypothesis regarding the changes in policies in both product and factor markets for increased farm incentives is explained in Chapter IV.

The second part of the second major hypothesis concerning the greater local availability of high productivity inputs during the second plan is considered in Chapter V.

A summary and implications are provided in the final chapter.

~~Theoretical Orientation for Planning~~ ✓ ~~Agricultural Development~~

Because of the biological nature of production in agriculture, helped or hindered by weather, and the wide diversities in farming conditions and practices in various regions of the less development world, the theory of transforming traditional agriculture is presented with formidable obstacles. Despite these difficulties, useful analytical

work to guide agricultural development is emerging.¹ A summary of the major outlines of agricultural development theory will provide perspective for this study.

Towards a Theory of Agricultural Development

New high productivity inputs

There is hardly any dispute that a fundamental element in transforming traditional agriculture involves the identification of factors that are currently limiting production and finding a greatly improved combination of new inputs that will yield a much higher return. Most of the new inputs are obtained from the non-agricultural sector.

¹The major works include:

- a) Johnston, B. F. and Mellor, J. W. "The Role of Agriculture in Economic Development," American Economic Review, September 1961.
- b) Mellor, J. W. "Towards a Theory of Agricultural Development" in Agricultural Development and Economic Growth, Southworth, H. M. and Johnston, B. F. (ed), Cornwell University Press, 1967.
- c) Schultz, T. W. Transforming Traditional Agriculture, New Haven: Yale University Press, 1964.
- d) Jorgenson, D. W. "The Development of a Dual Economy," in Economic Journal, June 1961.
- e) Hsieh, S. C. and Ruttan, V. W., "Technological, Institutional and Environmental Factors in Growth of Rice Production; Phillipines, Thailand and Taiwan," Mimeo, December 1967. To be published in Food Research Institute's Studies.
- f) Ruttan, V. W. "Notes on Agricultural Product and Factor Markets in South East Asia," Mimeo, April 1967.
- g) Mosher, A. T. Getting Agriculture Moving: Essentials for Development and Modernization, Frederick A. Praeger, Publishers, New York, 1966.

Schultz attributes the slow rate of growth of traditional agriculture to the exclusive reliance of the farmers on traditional inputs, the profitability of which has been exhausted.¹ To break this dependency, he argues that the farmers must acquire, adopt, and learn how to use effectively a profitable set of factors to be arranged from outside the farm. As he points out:

Economic growth from agricultural sector of a poor country depends predominantly upon the availability and price of modern (non-traditional) agricultural factors. The suppliers of these factors in a very real sense hold the key to such growth. When they succeed in producing and distributing these factors cheaply, investment in agriculture becomes profitable and this sets the stage for farmers to accept modern factors and learn how best to use them.²

Empirical evidence on this point provided by Herdt and Mellor's study, among others, supports Schultz's hypothesis that in a traditional agriculture, higher production through increased use of inputs (of traditional type) is thwarted by the slow and declining marginal productivity of added inputs and by the rising-cost of these added inputs. New inputs of higher productivity, on the other hand, shift the production function upward and to

¹Schultz, T. W. Transforming Traditional Agriculture, New Haven: Yale University Press, 1964, p. 143.

²Ibid., p. 145.

the right providing a higher marginal product.¹ In addition, the new high productivity inputs have been designed to make possible the substitution of those inputs which have relatively elastic supply schedules for those with relatively inelastic supply schedules, for example, fertilizer for limited land area.

Although there is increasing emphasis on the high productivity inputs which are developed through organized research, there seems to be a growing recognition of the importance of such complementary inputs as irrigation. For example, Ruttan and Hsieh in a recent study concluded that the failure to make adequate public investment in irrigation will clearly dampen the returns from investment in research and development on varietal improvement and the cultural practices associated with the use of other technical inputs. On the other hand, failure to make adequate investment in research and development will limit the public and private returns that can be realized from more adequate investment in irrigation and more effective program of disease and pest control.²

¹Mellor, W. J. "Towards a Theory of Agricultural Development," in Agricultural Development and Economic Growth, Southworth and Johnson (ed), Cornell University Press, Ithaca, New York, 1967, p. 47.

²Hsieh, S. C. and Ruttan, V. W. "Technological, Institutional and Environmental Factors in the Growth of Rice Production: Philippines, Thailand and Taiwan," Mimeo, December 1966. To be published in Food Research Institute's Studies.

Therefore, a focus of agricultural development strategy is now upon the most fruitful combination of such inputs as improved seeds, fertilizers, pesticides and water.

Price incentives

In recent years more adequate recognition has been given to the influence of price policies in product and factor markets on creating incentives for farmers which, in turn, may encourage or discourage the adoption of new technology. Mosher stresses that it is essential not only to recognize the relationship between the price of farm products and price of purchased new inputs, but also to choose and implement a mix of policies that increases the farmer's incentives for greater production.¹

In a recent paper, Schultz emphasized the importance of the role of price, among three economic requirements for increasing agricultural production in the less developed countries. These requirements are: (1) an efficient system of prices for agriculture (farm product price, agricultural input price, and the price of consumer goods and services that farm people buy); (2) agricultural

¹Mosher, A. T. Getting Agriculture Moving: Essentials for Development and Modernization, Frederick A. Praeger, Publishers, New York, p. 106.

inputs that are profitable for farmers; (3) the discovery and development of such agricultural inputs through organized research.¹

It is recognized, however, that though an efficient system of prices is a necessary economic requirement for organizing and integrating the production decisions of numerous farmers among each other and with the rest of the economy, it is, however, not sufficient to assure increased food supplies in semi-subsistence economies. The sufficient condition, according to Schultz' analysis is met by assuring the supply to the farmers of the new and profitable inputs. Concurring, Krishna argues that:

The growth of agricultural output has to be induced primarily through institutional and technological improvements and a great increase in the supply of inputs embodying these improvements. But price movements can either accelerate, retard, or arrest these changes. Therefore, a favorable price policy is needed² along side tech-organizational change.

Mellor also agrees that in conjunction with technological change, price policy can play a positive role in effecting increased agricultural production.³

¹Schultz, T. W. "Increasing World Food Supplies--the Economic Requirements." Reprint from the proceedings of the National Academy of Science, Vol. 56, No. 2, August 1966.

²Krishna, Raj. "Agricultural Price Policy and Economic Development," in Agricultural Development and Economic Growth, Southworth, H. M. and Johnston, B. F. (ed), Cornwell University Press, 1967, p. 537.

³Mellor, "Production Problems and Issues in Agricultural Development," in Journal of Farm Economics, December 1966, Vol. 48, No. 5, p. 1200.

Institutions to supply new inputs

Prescription of economically sound growth strategies will serve little purpose unless they can be effectively executed. For instance, new inputs must be developed by research within the country or procured from abroad. Their distribution has to be assured so that they may reach all farmers.

Schultz asserts that private firms normally do not undertake the research and development activities for new agricultural inputs due to limited prospect for profit. His contention is supported by the experience of many of the less-developed countries. Thus, public or semi-public bodies appear required to perform many of these research and development functions concerned with new inputs particularly in the early stage of agricultural transformation.

With respect to distribution arrangements for the new inputs, there are usually serious problems encountered. For example, Schultz states:

But there is seldom any room for profits from this business in a typical poor agricultural community because the costs of entry are generally high and the market for a particular factor is small. Unless the distribution of new factors can be made profitable, it will obviously not attract private firms.....Before private companies can enter the fields, it is often necessary for the nonprofit agencies to pave the way.

The cost of entry (of private firms) can be reduced very substantially by non-profit agencies that disseminate technical and economic information to the farmers... ..For the most part, however, a poor country must develop its own institutions to perform this function. As this is done, it will pave the way for private companies to enter the distribution¹ of some of the new agricultural factors.

Creation of an institution for distribution of new inputs is not, however, sufficient. A wide variety of measures are needed of which the improvements in decision making on priorities, allocation of resources and implementation of economic policies are crucial.

In conclusion it is clear that a variety of strategies is needed for achieving rapid agricultural growth. Mosher separates the strategies into 'essentials' and 'accelerators'. The essentials are (1) markets for farm products, (2) constantly changing technology, (3) local availability of supplies and equipment, (4) production incentives for farmers, (5) transportation. The 'accelerators' are (1) education for development, (2) group action by farmers, (3) production credit, (4) improving and expanding agricultural land, (5) national planning for agricultural development.²

¹Schultz, T. W. Transforming Traditional Agriculture, New Haven: Yale University Press, 1964, pp. 154-156.

²Mosher, A. T. Getting Agriculture Moving: Essentials for Development and Modernization, Agricultural Development Council. Frederick A. Praeger Publishers, New York, 1966.

Role of Planning in Agricultural Development

The process of transforming traditional agriculture is fairly complex and involves the adoption of a sequence of strategies. Any isolated effort is likely to end in frustrating results because of the interactions involved. Effective execution of these strategies, therefore, calls for integrated and coordinated programs in both the public and private sectors coupled with carefully formulated public policies. This fact provides some of the rationale for economic planning in the less-developed countries.¹

Scitovsky sees the need for planning in these terms:

The proper coordination of investment decisions, therefore, would require a signalling device to transmit information about present plans and future conditions as they are determined by present plans and the pricing system fails to provide this (in less-developed countries). Hence, the belief that there is need either for

¹A more detailed discussion on the rationale of 'economic planning' in the less-developed countries may be seen, among others, in the following work:

- a) Mason, E. S. Economic planning in underdeveloped areas, Govt. and Business, New York, Fordham University Press, 1958.
- b) Lewis, W. A. Principles of Economic Planning, London, George Allen and Unwin, Ltd., 1952.
- c) Timbergen, Jan. Central Planning. New Haven, Yale University Press, 1964.

centralized investment planning or for some additional communication system to supplement the pricing system as a signalling device.¹

A well-conceived national development plan may embody most of the 'essentials', 'accelerators', 'actions' and 'policies' of the government for agricultural development. A national plan, by itself, however, offers no solution unless the plan is put into operation in accordance with its programs, priorities and policies. As Lewis emphasizes, to be really useful and effective, a central planning agency which has the overall view of the development process, has not only to draw up the plan but also to supervise its implementation.² These required coordination and supervisory functions call for a close working relationship between the central planning agency and the operating ministries and agencies which, in fact, execute the development programs and policies. Such cooperation is easier to enlist when the national plan and its implementation receive active political support and the planning agency enjoys a relatively superior status in the administrative hierarchy. Lewis argues that:

¹Scitovsky, T. "Two Concepts of External Economies," in Readings in Economic Development, Morgan and Choudhury (ed), Wadsworth Publishing Co., Inc., California, 1963, p.126.

²Lewis, W. A. Development Planning: Essentials for Economic Policy, London; Harper and Row, New York, 1965, p. 246.

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In a country with poor statistics, the first development plan and even the second, should concentrate on bringing order into public sector's programs and into economic policies. This is largely a matter of improving administrative machinery. The Cabinet has to learn not to take any important economic decisions until the civil servants or technical advisers have examined the matter from every angle. Ministries must be staffed with people competent to analyze the policies which they administer and to prepare or have prepared good feasibility studies of proposed project. Experience must be acquired in planning a project, getting it started, keeping it on schedule, amending it to take account of unforeseen snags and evaluating its result from time to time. Without a reasonably competent administrative machinery,¹ there is no basis for development planning.

Finally one caution, however, is in order. Government activities and policies can be planned, coordinated and implemented but agricultural production (by millions of farmers) cannot be. So planning for agricultural growth cannot but be partial.²

In summary, current professional thinking on the strategies for agricultural growth in less-developed countries, emphasized the creation and availability of high productivity inputs, the adoption of appropriate price policies for increased farm incentives and the creation

¹Ibid., p. 21.

²Mosher, A. T. Getting Agriculture Moving: Essentials for Development and Modernization. Published for Agricultural Development Council by Frederick A. Praeger Publishers, New York, 1966, p. 172.

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of new institutions to supply modern inputs. Thus it is evident that the process of transforming traditional agriculture is complex and involves a sequence of programs. Effective execution of these interrelated strategies, however, pose serious problems. Although many of the less-developed countries attempt to adopt these strategies through the use of national development plans, their effective execution requires significant improvements in decision making, particularly on priorities, allocation of resources and adoption of appropriate public policies.

With this theoretical background, we now turn to examine briefly the agricultural growth of East Pakistan to provide a setting for this study.

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CHAPTER II

AGRICULTURAL GROWTH IN EAST PAKISTAN

Introduction

East Pakistan is one of the two provinces of Pakistan. It has an under-developed economy according to most measures. Per capita income is low \$67 (Rs 318) in 1964-65. It has a high rate of population growth 2.6 percent per annum and a continuing food shortage. The economy is predominantly agricultural as the agriculture sector contributes about three-fifths of the gross domestic product of the Province. Two of these fifths are derived from the major crops. Of the crops, rice alone contributes about 70 percent of value added. The importance of rice in the economy is also indicated by the large area devoted to it, and by the number of farms engaged in rice production. About 76 percent of the cropped area is under rice (Table 2.1). There are three rice growing seasons, Aman, Aus and Boro. Aman or fall rice is the most important rice crop. It involves about 61 percent of the total cultivated rice area followed by Aus or spring rice with 34 percent. Boro or winter rice covers only 5 percent of the total area cropped to rice. A high proportion of the 6.14 million farms in East Pakistan grow rice.

Administrative Unit and Population

Administrative Unit and Population		Classification of land and area under crops	Number of families at 1st Feb 1960	Number of families at 1st Feb 1960

Table 2.1 Administrative Units, Population, Number of Farms, Size Distribution and Classification of Land and Area under crops in East Pakistan.

Administrative Units and Population	Classification of land and area under crops			Number of farms, size distribution and tenancy situation 1960	
	No.	Units	Million Acres	Units	No.
Land area sq. mile	51,921	I. Classification of area		I. Number of farms (Million)	6.14
District	17	a) area not reported		II. Size of farms (million)	
Sub-division	54	b) area reported	0.73	a) small farms (under 2.5 acres)	3.17
Thana	411	1) Forest	5.46	b) medium farms (2.5 to under 12.5 acres)	
Union	4,053	2) Area not available for cultivation	5.59	c) large farms (12.5 acres & over)	
Villages	64,523	3) Other uncultivated land (excluding current fallow)	1.96	III. Average area/farm (acres)	3.5
Persons per acre	1.5	4) current fallow		IV. Tenancy situation	
Persons per village	788	5) net area sown	20.45	a) owner operated	82
Families per village	131	II. Area under crops (1960 estimates)	35.38	b) tenant operated	2
(at 6 persons/family)	61.00	a) Total cropped area		c) share cropped	16
Population 1965 (Million)		b) Area under rice	27.88		
Population density		1) Aman	21.12		
(persons/sq. mile)	1174	2) Aus	12.88		
		3) Boro	7.25		
			.99		

Source: Government of Pakistan, Ministry of Food and Agriculture, 1960 Pakistan Census of Agriculture
A Summary of East Pakistan Data.

Government of East Pakistan, Planning Department, Statistical Digest of East Pakistan 1964.

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In this chapter, we will briefly review the rate of increase in gross domestic product and the contribution of the agricultural sector. Also data on the rate of growth in rice production will provide setting for this study.

Growth in Gross Domestic Product and the Contribution of Agricultural Sector in East Pakistan
1949-50 to 1964-65

The East Pakistan economy grew slowly until the second plan period. Evidence is provided by estimates of the Gross Domestic Product which increased over a ten-year period from Rs 12,300 million in 1949-50 to Rs 14,945 million in 1959-60 . . . This is an annual compound rate of growth of 1.9%. In contrast, during the second plan period (1949-60 to 1964-65) the GDP of the Province increased to Rs 19,455 million in 1964-65, a rate of growth of 5.4%.¹

Since 1959-60, official data show that the absolute amount of agriculture sector's value added to GDP in East Pakistan increased from Rs 9042 million in 1959-60 to Rs 11,020 million in 1964-65. At the same time, the relative share of the agriculture sector in GDP declined from 62% in 1959-60 to 57 percent in 1964-65. (Table 2.2)

¹Government of Pakistan, Planning Commission, Third Five Year Plan (1965-70) Chapter 1, Table 12.

The estimates are at 1959-60 prices.

Country	Total of the Plan, 1959-60		Total of the Plan, 1960-61	
	Amount Million	% Contribution to GDP by sector	Amount Million	% Contribution to GDP by sector

Table 2.2 Gross Domestic Product and Sector shares in East Pakistan, 1959-60 and 1964-65 (at 1959-60 factor costs)

Items	End of 1st Plan (1959-60)		End of 2nd Plan (1964-65)	
	Amount (Million of Rupees)	% Contribution to GDP by sect- ors/sub-sectors	Amount (Million of Rupees)	% Contribution to GDP by sectors
1. G.N.P. (Pakistan)	31,439	x	40,525	x
2. Gross Domestic Product (East Pakistan)	14,489	x	19,300	x
3. Per capita income in Rs. (E. Pakistan)	269	x	318	x
4. Sectors				
a) Agriculture	9,042	62	11,020	57
1) Major Crops ^{a/}	5,475	39.2	7,190	37
2) Minor Crops ^{b/}	1,287	8.5	1,610	8.3
3) Livestock	882	6.5	1,000	5.3
4) Fishery	1,040	7.3	1,120	5.8
5) Forestry	81	.5	100	.6
b) Manufacturing	912	6.2	1,540	8
1) Large Scale	406	2.8	970	5.1
2) Small Scale	506	3.4	470	2.9
c) Infrastructure	2,059	14.8	3,160	16.0
1) Transport, Storage & Communication	90	6.4	1,190	6.0
2) Construction	22	1.8	900	4.9
3) Ownership of Dwelling	935	6.6	1,070	5.1
d) Services	2,476	17.0	3,680	19.0
1) Trade	1,560	10.5	2,230	11.8
2) Others	916	6.5	1,350	7.2

Source: Government of East Pakistan, Finance Department, Economic Survey of East Pakistan 1964-65, (1) 1959-60 figures from Interim Report of the Pakistan National Income Commission, September, 1964. (2) 1964-65 figures from Planning Commission's estimate.

(3) GDP figures of East Pakistan excludes income from banking, insurance, P.I.A. and Central Government expenditures.

a/Major crops include: rice, jute, sugar cane, tobacco, pulses and tea

b/Minor crops include: wheat, gram, oil seeds, cotton, etc.

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Turning to estimates of growth in the agricultural sector, although increases occurred in livestock, fisheries and particularly forestry products from 1959-60 to 1964-65, the largest growth was in major and minor crops, an increase of about 25% during the five-year period.

These official data show an annual rate of growth in agricultural sector of about 4 percent (Table 2.2). Falcon and Gotsch felt downward adjustments in these data were required. Their estimate is a 3 percent rate of growth in the agricultural sector in East Pakistan from 1959-60 to 1964-65, (Table 2.3).

Growth in Rice Production in East Pakistan

Since rice is the principal crop covering 76 percent of the crop area it constitutes a major share of the GDP of East Pakistan. Thus the economic growth of the province depends, to a large extent, on increases in rice production.

Rice production in East Pakistan, by and large, remained stagnant until 1958-59 though it fluctuated considerably due primarily to weather factors (Table 2.4). Since 1958-59, however, rice production has increased considerably. The average annual production for the five years of the second plan period is about 30 percent higher than the five year average of the first plan.

A more careful examination of the percentage changes of area, production and yield indicate the sources of growth

Table 2

Total

Major
Minor
Livest
Forest
Fisher

Source

Table 2.3 Growth of Value added in Agriculture
1959-60 to 1964-65, East Pakistan
(in 1959-60 prices)

	<u>Percent per Annum</u>
<u>Total Agriculture</u>	3.0
Major Crops	3.2
Minor Crops	2.7
Livestock	2.0
Forestry	3.1
Fishery	2.9

Source: Falcon, W. P. and Gotsch, C. H. "Agricultural Development in Pakistan--Lessons from the Second Five Year Plan" Report No. 6, June, 1966, Harvard University.

The growth rates were computed by the authors from the Interim Report of the Pakistan National Income Commission, September, 1964--Appendix XIV. 1964-65 data directly supplied by the Central Statistical Office, Karachi.

YEAR	AUS (SECTORS)		AMAN (CUT)		BORO (CUT)		TOTAL PRODUCTION	
Pro-	AREA	PRODUCTION	YIELD/	AREA	PRODUCTION	YIELD/	PRODUCTION	YIELD/
			ACRE			ACRE	(000)	(000)

Table 2.4 Area, Production and Yield of Aus, Aman, and Boro Rice* (Cleaned)
in East Pakistan in the pre-plan, first, and second plan periods.

YEAR	AUS (Spring)			AMAN (Fall)			BORO (Winter)			TOTAL PRODUCTION
Pre-Plan	AREA (000 acres)	PRODUCTION (000 tons)	YIELD/ACRE (mds)	AREA (000 acres)	PRODUCTION (000 tons)	YIELD/ACRE (Mds)	AREA (000 acres)	PRODUCTION (000 tons)	YIELD/ACRE (Mds)	(000 ton)
1947-48	4,900	1,432	7.9	13,347	4,985	10.2	759	319	11.4	6,736
1948-59	4,753	1,408	8.1	13,859	5,907	11.6	812	268	8.9	7,583
1949-50	4,673	1,254	7.3	14,013	5,745	11.2	842	378	12.2	7,377
1950-51	5,259	1,790	9.3	13,947	5,273	10.3	801	280	9.5	7,343
1951-52	5,448	1,593	8.0	14,026	5,111	9.9	826	330	10.9	7,043
1952-53	5,499	1,655	8.2	14,442	5,329	10.0	837	351	11.4	7,335
1953-54	6,324	2,152	9.3	14,845	5,748	10.5	841	345	11.2	8,245
1954-55	6,033	1,957	8.8	14,445	5,264	9.9	858	368	11.8	7,589
Average of 8 yrs	5,360	1,655	8.3	14,115.5	5,420	10.4	822	317.3	10.4	7,392.3
1st Plan										
1955-56	5,820	1,794	8.4	12,978	4,256	8.9	688	344	12.9	6,394
1956-57	5,992	2,159	9.8	13,377	5,789	11.7	686	236	9.4	8,184
1957-58	5,787	2,085	9.8	13,632	5,154	10.3	816	359	12.0	7,598
1958-59	5,646	1,500	7.5	13,144	4,970	10.3	851	391	12.5	6,661
1959-60	5,945	2,095	9.6	14,289	5,988	11.4	917	399	11.8	8,482
Average of 5 yrs	5,838	1,938	9.0	13,464	5,231	10.5	751.6	344	12.2	7,513

TABLE 1. - *Production of the principal crops and stock and farm products*

YEAR	AUS (Spring)	AMAN (Fall)	BORO (Winter)	TOTAL PRODUCTION
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Table 2.4 Area, Production and Yield of Aus, Aman, and Boro Rice* (Cleaned)
(Cont.) in East Pakistan in the pre-plan, first, and second plan periods.

YEAR	AUS (Spring)			AMAN (Fall)			BORO (Winter)			TOTAL PRODUCTION
2nd Plan	AREA (000 acres)	PRODUCTION (000 tons)	YIELD/ ACRE (mds)	AREA (000 acres)	PRODUCTION (000 tons)	YIELD/ ACRE (Mds)	AREA (000 acres)	PRODUCTION (000 tons)	YIELD/ ACRE (mds)	(000 ton)
1960-61	6,300	2,497	10.8	14,578	6,574	12.3	1,008	448	12.1	9,071
1961-62	5,874	2,328	10.8	14,082	6,653	12.8	1,007	485	13.1	9,466
1962-63	6,192	2,202	9.7	14,221	6,046	11.6	1,071	482	12.3	8,730
1963-64	6,586	2,657	11.0	14,604	7,290	13.6	1,069	509	12.9	10,456
1964-65	6,645	2,501	10.2	15,107	7,262	13.1	1,053	574	14.8	10,337
Average of 5 yrs	6,315.4	2,437	10.5	14,518	6,765	12.6	1,041.6	500	13.1	9,702

Source: Government of Pakistan, Planning Commission, Handbook of Agricultural Statistics,
June, 1965.

* Aus (spring), Aman (fall), and Boro (winter) are the three rice seasons in East Pakistan.

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(Table 2.5). Turning to Aus first, though the increase in area was about the same in the second and in the first plan, the greater increase in production in the second plan was estimated to have been higher in yields. In Aman, the area and production of rice are estimated to have declined from the Pre-plan Period to the first plan.¹ These trends were dramatically reversed in the second plan period. Turning to Aman yields, the increase was only 1.1 percent between the Pre-plan and the first plan. The second plan period, however, showed a 21 percent increase in Aman yields. Data for the minor Boro rice crop show a dramatic increase of 30 percent in area and hence production in the second plan period with yield increasing 7 percent.

To summarize, these data indicate that the major reasons for the dramatic increase in rice production from the first plan period to the second plan period were due principally to moderate increase in Aus and Aman areas coupled with appreciable increases in yields.

¹The reasons for the estimate of a negative trend in the area of Aman and Boro rice from the pre-plan to the first plan period are many. Papanek in Pakistan's Development: Social Goals and Private Incentives, attributes this declining trend to migration of hindu farmers and landlords to India in the early and mid 50's and partial loss of market in Calcutta.

	Aug (Spring)	Amun (Fall)	Boro (Winter)
1964-65			

Table 2.5 Changes in Area, Production and Yield of Rice in East Pakistan from the pre-plan through the second plan period (1947-48 to 1964-65)

	<u>Aus</u> (Spring)		<u>Aman</u> (Fall)		<u>Boro</u> (Winter)	
	Area	Production	Yield	Area	Production	Yield
I. Percentage change from pre-plan to the 1st _a plan period	8.9	17.1	8.2	-4.6	-3.5	1.1
				-8.6	8.6	17.2
II. Percentage change from 1st plan to the 2nd _b plan period	8.2	25.2	17.0	8.0	29.3	21.3
				38.4	45.6	7.2

$$a/ \quad \bar{X} \quad \frac{\bar{X}}{\text{1st plan Pre-plan} \times 100}$$

\bar{X} Pre-plan

$$b/ \quad \bar{X} \quad \frac{\bar{X}}{\text{2nd plan 1st plan} \times 100}$$

\bar{X} 1st plan

Source: Computed from Table 2.4

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A more detailed analysis by Falcon and Gotsch is available showing the estimated sources of increase in rice production during the second plan period.¹ This study obtained an annual rate of growth in rice production during the second plan of 3.4 percent. (Table 2.6). It is of interest that this analysis points to increases in Aman yields and Aus acreage as the principle causes of increased rice production during this short period. As a whole yield contributed about two-thirds of the increase and acreage one-third. Their result is generally consistent with the preceding discussion.

Falcon and Gotsch also attempted to show the reasons for the increases in yield and acreage by estimating the contribution of the various inputs. (Table 2.7) of particular interest for this study is the importance placed by this analysis on water, fertilizer and plant protection. The estimate of the contribution of improved rice seeds appears doubtful however, as opinion is divided on this issue. There are a number of reports that state the "improved" seeds do not appear to have been significantly better than

¹Falcon, W. P. and Gotsch, C. H. "Agricultural Development in Pakistan--Lessons from Second Five Year Plan", Report No. 6, presented at the Bellagio Conference of the Development Advisory Service. June, 1966.

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Table 2.6 Annual growth rates of rice yield,
 acreage and production by season
 1959-60 to 1964-65

| Percent per Annum | | | |
|-------------------|-------|---------|------------|
| Season | Yield | Acreage | Production |
| Aus | 0.8 | 2.1 | 2.9 |
| Aman | 2.5 | 0.8 | 3.3 |
| Boro | 3.6 | 2.6 | 6.2 |
| TOTAL | 2.1 | 1.3 | 3.4* |

*In terms of total contribution, Aus contributed 20%, Aman, 70%, Boro 10% of the growth rate of total rice production.

Source: Falcon, W. P. and Gotsch, C. H. "Agricultural Development in Pakistan--lessons from Second Five Year Plan", Report No. 6, presented at the Bellagio Conference of the Development Advisory Service, June, 1966.

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Table 2.7 Components of the Sources of Increased
Rice Production in East Pakistan

(percent per year)

Area Expansion

(including the effects of low-life
pumps, WAPDA projects, and popularion
pressure)

| | | |
|-----------|-----|-----|
| | 1.3 | |
| Sub-total | | 1.3 |

Yield Improvement

| | |
|--|------------|
| Fertilizer | 0.5 |
| Plant Protection | 0.3 |
| Seeds | 0.5 |
| Irrigation and Drainage | 0.1 |
| Residual: Increased labor intensity,
improved technology, rural works | <u>0.7</u> |

| | | |
|-----------|--|-----|
| Sub-total | | 2.1 |
|-----------|--|-----|

| | |
|--------------|-------------------------|
| TOTAL GROWTH | 3.4 percent per
year |
|--------------|-------------------------|

Source: Falcon, W. P. and Gotsch, C. H., "Agricultural
Development in Pakistan--Lessons from Second
Five Year Plan", Mimeo, June 1966.

the farmers own seeds.¹ It should also be recognized that joint products are not identified in this kind of analysis and that other important variables are overlooked such as weather and an improved incentive environment.

To conclude, this chapter has documented the extraordinary spurt in rice production in East Pakistan during the second plan period. The last section also presented estimates that suggest this increase was largely due to more irrigation water, fertilizer and plant protection materials.

Our thesis is that there were fundamental underlying changes which resulted in the increased use of these technical sources of increased output. These were primarily the following two inter-related changes; major improvement in the planning and implementation of agricultural programs and significant changes in price policies and activities which assured much greater local availability of highly productive off-farm inputs. We turn in the next chapter to the first of the two major changes.

¹a) Hendry, J. B. and Hpu U. "East Pakistan Agriculture during the Third Five Year Plan." July 1964, Mimeo, p. 27.

b) McClung A. Colin. "Accelerated Rice Research Program in Co-operation with International Rice Research Institute", May 1965.

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CHAPTER III

IMPROVEMENTS IN PLANNING AND IMPLEMENTATION--A COMPARISON OF THE FIRST AND SECOND PLAN PERIODS

Introduction

Review of the theoretical framework for transforming traditional agriculture indicates that the process is complex and that it involves a sequence of strategies. The planning and implementation of these strategies, however, depend upon several matters including: how effectively an integrated development program is formulated, the extent to which the necessary policies are devised, how rapidly feasible projects are prepared and approved, the extent to which financial resources are allocated and whether suitable administrative machinery is available for their execution. Thus improvements in the 'planning process' are required to accelerate agricultural growth.¹

Specifically, this chapter focuses on the first of the two inter-related hypothesis of this study that "Major improvements in the planning process occurred just before and during the early part of the second plan period which

¹'Planning process' in course of this study includes the planning organization, its administrative and functional relationships with the Chief Executive, the central cabinet, functional relationship with economic policy-making bodies, the operating ministries, departments and agencies of the government, semi-government or private sector, the fiscal and monetary authorities, the budget and other organizations with which planning function is organically linked.

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resulted in more effective implementation of development policies and programs including particularly those for increasing rice production."

In order to demonstrate this a comparative analysis of performance in planning and implementation between the first and second plan periods will be made by using six criteria. These criteria are judged to be fundamental in planning and implementation in a mixed economy from a review of major works on planning.¹ The six criteria are:

1. The nature of the background environment of planning including particularly government stability and current political interests as well as the status and location of the planning agencies.
2. The extent of participation of the executing agencies in plan formulation.

¹The major works on planning, among others, include the following:

- a) Waterston, Albert. Planning in Pakistan. Baltimore, John Hopkins Press, 1963.
- b) Hagen, Everett (ed.), Economic Development Planning. Homewood, Ill., Richard D. Irwin, Inc., 1963.
- c) Waterston, Albert, Development Planning--Lessons of Experience. Baltimore, John Hopkins Press, June 1965.
- d) Lewis, W. A., Development Planning--The Essentials of Economic Policy. Harper and Row, New York, 1965.
- e) Wilcox, Clair, The Planning and Execution of Economic Development in South East Asia, Harvard University, Center for International Affairs, January 1965.

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3. The speed and effectiveness in the preparation and approval of development projects and policies. This involves specifically the attitude of the civil service towards development and the private sector.
4. The observation of plan priorities especially in budgeting and the annual development programs.
5. The use of technical assistance in planning and implementation.
6. The utilization of expenditures as set out in the plan.

By employing these criteria, the improvements in planning and implementation will be shown. This chapter begins with an analysis of the planning and implementation problems during the first plan. Section II indicates how these problems were tackled during the second plan and what improvements were attained in planning and implementation particularly in East Pakistan. Finally the contrasts in performance in planning and implementation in the first and second plan are highlighted.

Since Pakistan has essentially a unitary form of government, East Pakistan's development program is dependent largely upon central resources and its economy is fully integrated into the national plan. The analysis, therefore, includes central planning and implementation agencies, which significantly influence the provincial planning and development.

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Planning and Implementation during the First Plan Period

Background Environment of Planning

During the first plan, the political environment in Pakistan was not conducive to effective planning and implementation. This will be shown examining first the extent of government stability during this period and the current political interests of national leaders. In a later section the status and location of both the central and East Pakistan planning agencies during the first plan period will be considered in details.

Government Stability and Current Political Interest

Historic experiences tell us that wherever a country's government is reasonably stable and its political leaders give a high priority to economic development, the country usually attains economic progress even if it does not have a formal plan. Conversely, in the absence of political stability and firm and continuing government support, a development plan, no matter how well prepared, has little chance of being carried out successfully. This was clearly the case during the First Five Year Plan Period in Pakistan. When the first plan was being prepared and was ready for implementation, Pakistan experienced one of the worst periods

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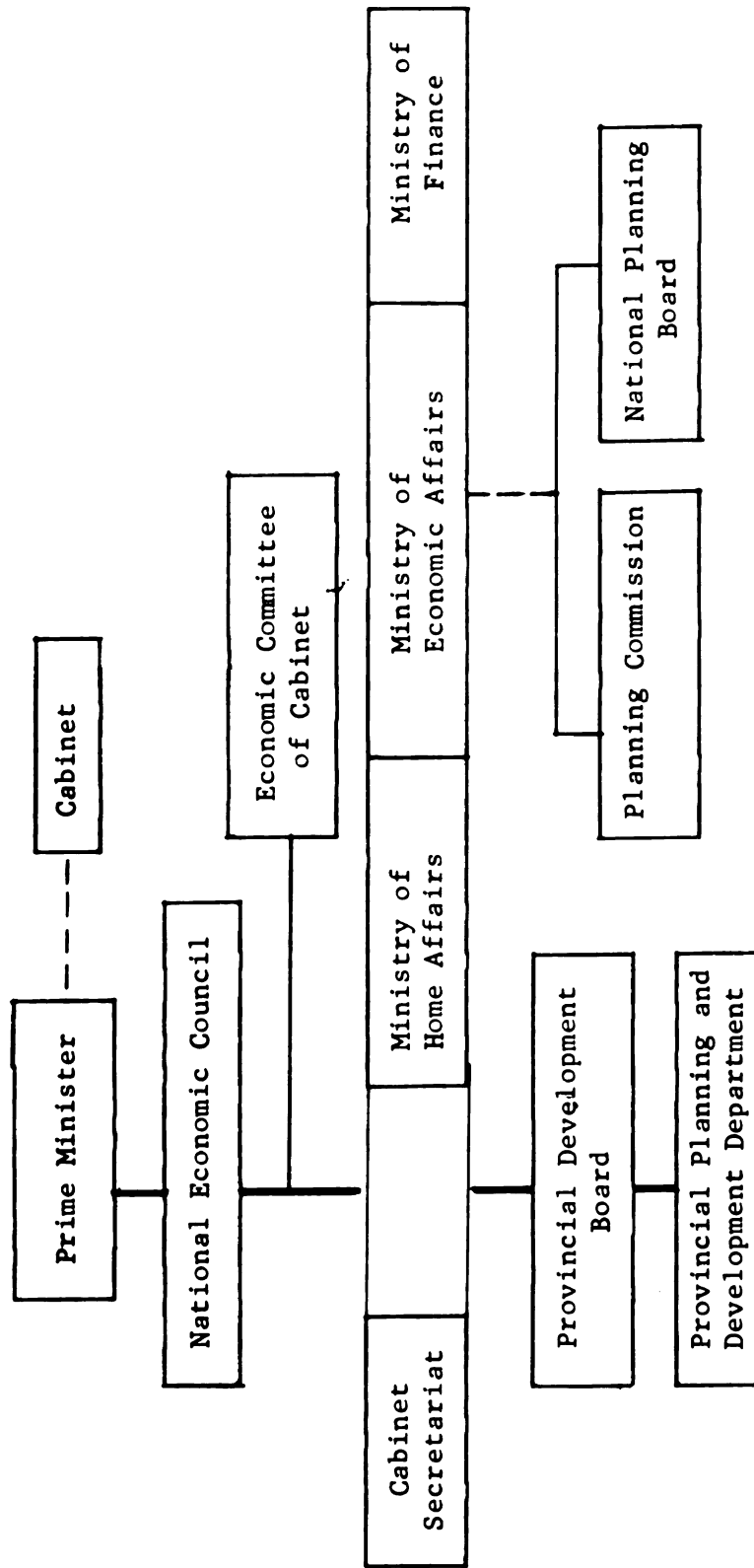
of political turmoil.¹ Though the politicians had concern for development, they were involved more with political issues such as electoral system, language and foreign policy than with economic development. One or more of these issues at that time probably appeared more important for the country's future well-being than economic development. But the relegation of development activities to a subordinate position in the scale of values of the country's political leaders can not but depress development effort and hence, the results of development planning.

A National Economic Council was established in 1956 as the so-called 'Supreme Economic Body of the Country'. (Fig. 3.1). Though the Council was presided over by the Prime Minister and represented by the Central Ministers and Provincial Chief Ministers, it was merely an advisory body to the government and lacked effectiveness in economic policy-making. Frequent changes in high levels of government made it difficult for these politicians to have secure control of the government and as such to exercise significant influence on economic policy-making job.²

¹From the time the National Planning Board was established in July 1953 until October 1958 when military government took over, Pakistan had five Prime Ministers.

²Waterston, A. Planning in Pakistan, Baltimore, John Hopkins Press, 1963, p. 60.

Fig. 3.1 Organization for Planning and Implementation During First Plan in Pakistan: 1956



Note: Broken lines show indirect relationships.

Based on Waterston, A., Planning in Pakistan; John Hopkins Press, Baltimore, 1963

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The Council did not have any secretariat of its own. Staff work for preparation of the NEC's meeting was perfunctory and the performances of the members were unimpressive and uninformed.

"The Council swiftly degenerated into an arena of regional rivalries--more concerned with provincial claims on national resources than on dispassionate study of the economic problems which....was its primary function."¹ As a result, the First Five Year Plan though officially it was supposed to go into effect from April, 1955, was not finally approved and published until three years of the beginning of the plan period. The political maneuvering which preceded and followed the change in government and the changes in leadership inhibited sustained support for the plan and its implementation. The Prime Minister who later authorized the publication of the plan frankly confessed,

I was staggered to learn that until a few days ago, the Five Year Plan had not been authenticated by the government for publication. With hardly two more years to go, the plan continues to be regarded as routine departmental file meant only for recording of prolific notes and cross notes. Even a properly coordinated machinery for the implementation of the plan has not yet been evolved.²

¹Ahmed Mustaq. Government and Politics in Pakistan, Karachi, Pakistan Publishing House, 1959. p. 60.

²Address of the Prime Minister at Multan, 24 April, 1958 as quoted in Ahmed Mustaq, Government and Politics in Pakistan, Pakistan Publishing House, Karachi. 1959, p. 68.

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If development planning and programming are to be effective, they must have a strong political support. The government must be strong, stable, and its leaders must understand the role of economic planning in the development process. It must be determined to put the plan into operation. None of these requirements was met.

The extent to which the government with a plan pursues policies and other measures which planners tell them are essential for the implementation of the plan usually provide an index of that government's commitment to development planning. The First Five Year Plan, for instance, recommended, for basic administrative reforms required to put the plan into operation. No action on administrative reform was taken by the political leaders.

Absence of strong political leadership and support to economic development had its concomitant effect on the attitude of the civil servants in the country towards development. As will be seen later, the civil service dominated administration was more interested in law and order, and tax collection. It was not, therefore, prepared and willing to accept the complicated functions of development unless it was imposed on them from above by the political process.¹

¹Waterston, Albert. Planning in Pakistan, Baltimore, John Hopkins Press 1963, p. 4.

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Status and Location of the Central and East Pakistan Planning Agencies

Central Planning Agency

Though the National Planning Board was created in July 1953, the Board did not take real organizational shape until 1955.¹ (Figure 3.3 page 80). The government resolution desired that a draft plan be ready by April 1954. But the lack of suitable professionals led to postpone the starting date of the plan period by a year, to April, 1955. We now turn to examine the status of the Central Planning Board in the administrative structure.

The National Planning Board was merely an advisory body in the central government as a temporary organization. Its temporary status hampered its work in a number of ways. It had initial difficulty in recruiting technical personnel as it was a temporary agency in an environment in which professionals or civil servants considered job security, seniority, rank and status to be of prime importance.

¹The Board's responsibilities were to

- a) Review development activity since independence
- b) assess the resources, material, human and technical
- c) prepare a five year National Plan of development based on the fullest possible utilization of national resources
- d) make recommendations regarding the administrative machinery suited for successful implementation of the plan.

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Since a position with a National Planning Board did not carry the prestige and power that a position in an operating ministry conferred, the Board found it difficult to get personnel from other departments. Neither the Establishment Division nor the Ministry of Finance extended the desired degree of cooperation by making the services of superior civil service personnel available to the Board or by allowing the Board's personnel higher salary.¹ Nor were the foreign training arrangements for the Board's junior professionals made. It was argued, with apparent logic, by the Ministry of Economic Affairs that foreign training would merely be wasted on personnel of a temporary Board which might cease to exist at any time. Since the political leaders had little interest in the Board and its activities, the civil servants in the central ministries were unsympathetic towards the Board. No wonder it was called a "Frustration Board" at the Central Ministries circles. It had no authority to make decisions. As Waterston puts it,

It's views, even the plan (first plan) it eventually prepared, were merely recommendations which could only gain official status if and when approved by the government (Central Operating Ministries). The

¹Khan, A. A., "Planning in Pakistan" in Pakistan Development Review, Spring, 1964, p. 111.

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idea of a staff i.e. advisory agency such as the Board, was an innovation in Pakistan where almost all government units were executing bodies....

The Board's requests for information or for the submission of proposals frequently encountered passive resistance which handicapped and delayed its work. When the Board began making suggestions for changing projects by the various ministries, departments and agencies, apathy sometimes gave way to open hostility. Nor were working relationships made smoother when some of the Board's staff, accustomed to the command tradition typical of the executing agencies, tried to order government bodies to comply with the Board's requests and recommendations.¹

The location of the National Planning Board determined to some extent, the degree of its effectiveness. Though the National Planning Board was administratively attached to the central Ministry of Economic Affairs which had the over-all responsibility for planning, initiation of projects, development-coordination, progress reporting and evaluation of development projects, the functional jurisdiction between the Board and the Ministry was not clear-cut and occasional friction was not uncommon. (Figure 3.1 page 36). The National Planning Board was headed by a full-time chairman who operated more or less independently. As a result, there was no formal machinery through which the planning Board's opinion on economic policies especially those with bearing on achieving the plan objectives could

¹Waterston, A. Planning in Pakistan. John Hopkins Press, Baltimore, 1963, p. 24.

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be conveyed to the government nor the Ministry concerned. Nor was it the practice of the government or Ministry to consult the Board when economic policies were formulated on tariff adjustment, industrial incentive and control, agricultural policies, especially food grain price policies, agricultural input subsidy policies, fiscal and monetary measures, use of foreign aid or foreign exchange and other subjects which influence successful implementation of the plan.¹ Economic policies and the plan objectives bore little relation to each other. As will be seen in subsequent chapters, in agriculture, this was manifest especially in the fertilizer subsidy policy, rice procurement and price policies.

The East Pakistan Planning Agency

Unlike its central planning arrangements, East Pakistan did not have any specialized planning agency to devote full time exclusively to development activities until 1959. Before 1957, a 'Development Board' headed by the Provincial Chief Secretary and represented by the Secretaries of the Administrative Departments coordinated provincial development programs. Though it had the authority to formulate and modify plans of the provincial departments, keep watch over each department's projects and programs, endorse, modify, coordinate and set priorities, the civil

¹Ibid. p. 37.

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servant members of the Board, already burdened with administrative responsibilities, did not have a professional staff to aid them in discharging their duties successfully.

The Development Board was also the chief medium for sanctioning provincial public sector's projects up to Rs 2.5 million.¹ The Development Board was enlarged in the early years of the first plan to such an unwieldy size (the Secretaries of all 7 or 8 departments attended the meeting) that it did not function satisfactorily. Meetings for sanctioning projects were infrequent, usually taking place once in every three months. The Board's decisions circulated in the form of minutes, which were rarely put into effect by the operating departments. It became apparent to the East Pakistan Government that coordinated planning and programming needed specialized knowledge and technical expertise and that the civil servant administrative heads of the departments by their training and the nature of their administrative responsibilities, were not effective in discharging their Development Board's duties. The ineffectiveness of the Development Board led provincial politicians concerned with development of the Province, to appoint a non-civil service specialized Planning Board

¹All East Pakistan Projects costing Rs 2.5 million as non-recurring and Rs .5 million recurring required the Central Government sanction before their execution could be undertaken.

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composed of persons outside the civil service, in February 1957 as a parallel body of the Development Board. The new Planning Board was headed by the Provincial Chief Minister. (Figure 3.6 on page 87).

The results of this attempt to circumvent the regular Civil Service and the heads of the administrative departments by a non-Civil Service Planning Board, were not satisfactory. Though the Board was given an opportunity to comment on projects and programs, it was handicapped being outside the Civil Service and therefore, outside the flow of essential operational process of development programs and policies and other vital information required for it to be really an effective agency. The Planning Board's decisions were often circumvented by the existing Development Board which included the heads of departments. Though Civil Service officials were later included as members, the Planning Board never worked effectively and was unable to establish harmonious working relationships with the operating departments and agencies. It became clear that for effective functioning of a planning agency, an integration of technical expertise and operational processes in administration was needed.

The Participation of the Executing Agencies in Plan Formulation¹

Formulation of a realistic and administratively feasible national plan requires an analysis of macro-economic variables, inter and intra sectoral consistancy, of public and private sector priorities in the program and of other theoretical niceties required to build up an internally consistant development program. At the same time it also requires the active participation of all the agencies involved in developing technically and administratively feasible program in respective sectors, setting out attainable objectives and targets and economic policies required to achieve them.

A comprehensive development plan can be and some times has been formulated by a few professionals aided by foreign advisers with the sophisticated tools of economic analysis without adequate consideration of the technical and administrative capabilities of each sector. Such a plan is likely to be unfeasible. In most cases a government must rely heavily on its own administrative apparatus to prepare and carry out projects and programs. It may obtain foreign technicians to assist but because of the character, volume

¹Plan formulation in course of this study is defined to include preparation of an internally consistent plan with over-all objectives, strategies, and policies.

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and continuing nature of projects and programs preparation, execution, and operation, this must generally be implemented by the regular administrative machinery. It is at this point that the condition of a country's public administration usually sets a limit to development policy and planning.¹

Frank confession of this deficiency in administrative capability was well expressed by late Prime Minister Nehru of India:

We in the Planning Commission and others concerned have grown more experienced and more expert in planning. But the real question is not planning, but implementing the plan. This is the real question before the country. I fear we are not so expert at implementation as at planning.²

To narrow the gap between plan formulation and implementation, the plan must be prepared with the cooperation and active participation of all the operating ministries, departments and agencies. These organizations are usually better able to judge their own sector's objectives and priorities, and their administrative and technical capabilities. For effective implementation, it is essential that the programs

¹Waterston, A. Development Planning: Lessons of Experience. Johns Hopkins Press, Baltimore, 1965. p. 435.

²Nehru Jawaharlal. "Annual Address by the Prime Minister". Indian Journal of Public Administration. (New Delhi) Vol. VII, No. 4, Oct.-Dec. 1961, p. 435.

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and policies should originate from the agencies which are to administer them. A comprehensive plan, should therefore, be a joint product.¹

In formulating the first five year plan, there was little effective participation of the executing agencies. The plan was formulated through a series of successive approximations by which available resources were compared with competing claims on them. In the public sector, the projects included were not all initiated by the sponsoring departments. Some were already underway, others were added by the National Planning Board. Some of them were fully engineered and well thought out. Some were not backed by proper appraisals of technical feasibility, real costs and benefits or of the administrative arrangements needed for execution.

The National Planning Board performed its task by sending officials to visit the central and provincial ministries and departments and by setting up advisory panels especially for agricultural programs. The Board also filled some gaps with proposals of its own or by setting aside block

¹Wilcox, Clair. "Development Planning and Programming in Pakistan" in Planning Economic Development. Hagen Everett (ed) Homewood, Ill., Richard D. Irwin, Inc. 1963, p. 53.

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allocations for projects to be prepared later for East Pakistan.¹ Wilcox, who was with the Planning Board, documents the reasons,

There was no planning units or (cells) either within the Federal Ministries and agencies or in the Provinces. Some of the Federal agencies were apathetic and were tardy in submitting projects, others were hostile, refusing to disclose the information required for projects or policies.²

The ideal arrangements would have been that the ministries and provincial departments would prepare and submit projects and programs for each sector indicating their views on the objectives for their respective sphere and on policies required to achieve these objectives. The Board then could concentrate on assessing total resources, formulating national economic policies, determining priorities, selecting the best patterns of investment and coordinating the various development projects and programs into a national plan.

"No such ideal arrangement was possible during the preparation of the draft plan."³

¹Waterston, A. Planning in Pakistan. John Hopkins Press, 1963, p. 45.

²Wilcox, Clair. "Development Planning and Programming in Pakistan" in Economic Development Planning, Hagen-Everett (ed.), Homewood, Ill., Richard D. Irwin, Inc., 1963, p. 55.

³Government of Pakistan, National Planning Board First Five Year Plan, (Draft) Karachi, 1956, p. ii.

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The Speed and Effectiveness in the
Preparation and Approval of Development
Projects and Policies

The location and effectiveness in the preparation and execution of development projects and policies are crucial to improved planning and implementation.

The formulation of a plan is not the end in itself. The end is to what extent the 'reasonable plan targets' have been achieved.¹ To achieve the targets, the plan has to be implemented in accordance with the objectives and priorities laid down.² Specific measures must be adopted to convert a plan from mere aspirations to action programs. Though there has been considerable controversy about what role the planners should play in implementation, the experience gained in many of the less-developed countries in this respect indicates a growing realization of the fact that if the plan objectives and targets are to be

¹Waterston, A. Development Planning: Lessons of Experience, John Hopkins Press, Baltimore, 1965, p. 336. By 'reasonable plan target' is meant those which the planners determine are within the capacity of a country's resources and other capabilities.

²Implementation is used in the context of this study in a limited sense being confined to those activities the planners are concerned with including preparation and approval of projects, allocation of funds, coordination and supervision of development project execution. It excludes the on-going activities of building and operation of the project which are the responsibility of the designated administrative agencies.

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achieved, the planner's task is not only to formulate the plan but also to supervise and actively participate in the course of its implementation.¹

There is an organic link between the targets in a plan and the policies and other measures required to achieve them. As Waterston points out, "A target is not really a target unless and until specific economic and financial policies, administrative and organizational measures are adopted to implement them."²

Efficient public administration is crucial to plan implementation for a number of reasons. First, successful implementation of a plan, especially of public sector, is largely a matter of proper organization and administrative arrangements for decision-making and their implementation. Secondly, in most of the less-developed countries the potentiality for economic growth based on available resources often outstrips the administrative and organizational capabilities. When the planners fix targets solely on the basis of economic potentialities

¹Lewis, W. A. Development Planning: The Essentials of Economic Policy. Harper and Row, New York, 1965, p. 246.

²Waterston, A. Development Planning: Lessons of Experience. Baltimore, John Hopkins Press, 1965. p. 338.

and fail to recognize the administrative, organizational limitations, the plan targets are likely to remain unattainable. The greatest obstacles to implementation are administrative and more especially political rather than economic.¹

Civil Service attitude towards development and private sector. The efficiency in carrying out public-sponsored development programs, largely, depends on the attitude of the Civil Servants towards development. In the early years of the First Five Year Plan, the Civil Service in Pakistan, arising out of colonial tradition and as such with limited concept of government functions, demonstrated inability to operate with the drive and initiative required to carry out the plan.

Trained in the tradition of White Hall, with every emphasis on probity and careful audit, the accurate answer next year if need be, not the proximate answer today, officials hate the quick decisions and inspired guesses that rapid development requires.²

Though official policy favoured development, there were in many parts of the government an unavowed attitude which regarded development activity as of secondary importance.³

¹Ibid. p. 339.

²The Economist (London) December 2, 1961, p. 931-932.

³Waterston, A. Planning in Pakistan, Baltimore, John Hopkins Press, 1963, p. 57.

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This manifested itself in lower pay and less advantageous condition of service for personnel in some development departments. Junior officials were often assigned to deal with development matters. This was more conspicuous in the case of the Agriculture Department of the government of East Pakistan.¹

Specifically commenting on the delay in decision-making on agricultural projects by the civil servants during the first plan period, the Food and Agricultural Commission observed,

Every proposal although it may have been examined by expert technicians in the department, has to pass a line of secretariat officers until approval is given at the top. Appropriate enough for decisions requiring the detached judgment of a generalist (administrator) in more leisurely days, in the rush of today, it means frustrating delays and in many cases, decisions by junior officers ignorant of technical problems....Schemes approved at the departmental level lie ages without further action...Ministries are reluctant to delegate power of decisions to the department, and department to the project officials.²

A part of the indifference of the Civil Servants and their failure to attach importance to development activities is to be attributed to the indecision of the political

¹Government of Pakistan. Ministry of Food and Agriculture, Report of the Food and Agriculture Commission, 1960.

For a detailed discussion on the attitude of the civil servants towards Agricultural development, page 192-204 of the report may be seen.

²Ibid. p. 202.

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leaders with respect to economic development.

The evasion of decision and the lack of vigorous action as well as weak and sporadic political control bred indifference, skepticism and inefficiency in the Civil Service.¹

Absence of public administrator's full scale support and participation in development activities inhibited the successful implementation of the first plan. For instance, in almost every field and on all levels there were shortages of trained technicians and administrators to implement the plan. According to a United Nations report

Chronic underspending in East Pakistan during the first plan was attributed to a lack of administrative organization, an absence of effective programs and projects and a lack² of technicians and other human resources.

The first plan clearly warned that

the inadequacies of Pakistan's administrative machinery will operate as the most serious single impediment to the maximum economical use of the country's material resources....(and) the pace of

¹Waterston, A. Planning in Pakistan. Baltimore, John Hopkins Press, 1963, p. 126.

²UN/Economic Commission for Far East and Asia. Some Social Aspects of Development Planning in ECAFE Region. 1963, p. 13.

Three years after the inception of the plan period, projects were not yet available or had not been finally approved for 83% of the gross public investment expenditure. This was only partly due to slowness in sanctioning machinery.

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implementation of economic and social programs is likely to be governed.... more by the capabilities of the nation's administrative and technical organizations (than by)....the magnitude of resources.¹

The First Plan made detailed recommendations and pleaded forcefully for administrative reforms and the government organizations required to put the plan into effect. None of these recommendations was implemented.

Another problem barring effective implementation of the first plan related to the attitude which prevailed in the Civil Service about the working of the market mechanism in the economy. The public administrators who had understood the importance of development work tended to favor automatically more government control rather than relying on market mechanisms. Professor Mason, during the First Plan observed,

A foreign observer in Pakistan can not fail to be impressed with the strong anti-business sentiment that permeates the Civil Service.²

The Civil Servants often manifested

A possibly unconscious conviction that the economic decisions they make are more likely to be 'in the public interest' than those which were influenced by the random outcome of market forces....³

¹Government of Pakistan, National Planning Board, First Five Year Plan, 1957. p. 91-92.

²Mason, E. S. Economic Planning in Under-developed Areas; Government and Business. Fordham University Press, New York, 1958. p. 74.

³The Economist (London) December 2, 1961, p. 932.

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This was, perhaps a natural outcome as economic policy decisions rested essentially with the civil servants rather than with the Economic Council backed by professionals as was the case later. The private sector was, therefore, subject to a multiplicity of economic controls such as on imports, exports, issue of capital stock, prices and profit, which tended to dampen private enterprise.¹ These controls multiplied rapidly because of a misunderstanding on the part of the Civil Service officials about the role of control in a planned economy.

Haq points out

It was assumed too readily that national planning implied a handful of government officials telling the private sector exactly how to manage its business.

There was little appreciation of the fact that strategic planning decisions could as well be enforced through price system and need not involve direct intervention in the market.²

In agriculture, one of the examples of government control was in fertilizer sales. Fertilizers were sold through the Agriculture Department all through the first plan. No attempt was made to explore the possibility of enlisting the private trades' participation. Same was

¹Waterston, A. Planning in Pakistan. Baltimore, John Hopkins Press, 1963. p. 64.

²Haq, Mahbubul. The Strategy of Economic Planning--a Case Study of Pakistan. Oxford University Press, 1963, p. 51.

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true in food grain procurement and distribution especially in the early years of the First Plan.¹

A reorientation of the Civil Servants towards development in general and to an understanding of the employment of market forces in particular was necessary for successful implementation of the plan.

Speed and efficiency in decision-making
in sanctioning projects

One of the major causes of lag in plan implementation emanates from the speed and efficiency with which decisions on sanctioning of development projects are taken. Project sanctioning machinery of the government has a number of important functions to perform.

First, it must ensure that development projects fit into and carry forward the general economic policies, objectives and patterns of development set out in the plan.

Secondly, it must also ensure that development projects are economically sound and administratively and technically feasible especially so that some of the projects may be eligible for external financing.

Thirdly, the sanctioning machinery must integrate various development projects for incorporation in the annual budget. A system of priorities which reflects an agreed policy established in a plan must also be observed.

¹See Chapter IV for a detailed discussion on this.

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Fourthly, the sanctioning machinery must devise and enforce certain standard operating procedures to be observed by the agencies sponsoring projects for sanctioning.¹ Efficient discharge of these functions requires specialized knowledge and clear understanding of the objectives and priorities in the plan.

During the early years of the first plan, project sanctioning authority at the central government level belonged to a parallel organization of the National Planning Board called 'Planning Commission' composed of the Civil Service officials of the Central Ministries and was presided over by a high ranking Civil Service official of the Ministry of Economic Affairs. The final approval, however, depended on the Economic Committee of Cabinet. But the 'Planning Commission' was "rather a heterogenous body imperfectly equipped to conduct objective evaluation of projects and fixation of priorities."²

Because of these difficulties the Federal Reorganization Committee recommended the abolition of the 'Planning Commission' and even the Ministry of Economic Affairs and permitting the National Planning Board to take up this responsibility. The government did not accept this recommendation. An ad hoc arrangement was, however, worked out

¹Government of Pakistan, Planning Commission. Procedure for Preparation and Approval of Development Schemes. Government of Pakistan Press, Karachi, 1959.

²Government of Pakistan: Report of the Federal Reorganization Committee, Karachi, 1956. p. 5.

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whereby projects submitted to the Planning Commission would be referred, prior to decision-making, to the National Planning Board for recommendation. Nevertheless, in many instances projects were approved which the National Planning Board had not considered.¹

Repeated complaints especially from the East Pakistan Government about the unusual delay involved and time consuming procedures which had to be observed to get the central government's approval of projects and the accumulation of a large back-log of pending projects led to the abolition of planning commission and its replacement by a Central Development Working Party empowered with streamlined procedures in 1957.² In this reform the National Planning Board was, for the first time, included in the project sanctioning body. Although, according to the new rules, the Ministry of Economic Affairs was required to appoint a senior official to preside and make the necessary decisions, The Ministry instead appointed a junior civil servant as chairman of the working party. As a result, senior officials from other ministries and agencies who had begun to attend the working party's meetings in the beginning were soon replaced by lower level officials who had little authority to make decisions.

¹Waterston, A. Planning in Pakistan. Baltimore, John Hopkins Press, 1963. p. 25.

²Ibid. p. 55.

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The Central Ministry of Finance took this as an excuse not to accept the working party's decisions as final and insisted on making a second review of the projects, which obviously meant an additional delay. Even after the projects had been cleared by the development working party and the Central Ministry of Finance as well, final approval was still not forthcoming because the meetings of the Economic Committee of the Cabinet, the final project approving authority, were not held regularly.

All these problems added up to considerable delay in project sanctioning which greatly hampered implementation. One estimate indicates that it took about a year or so for an average provincial project requiring Central review to emerge as finally approved.¹ The necessity to reduce approval time called for laying down some standard operating procedures with clear-cut time limits and giving of greater authority to the planning agencies to observe priorities and expedite decision-making for timely implementation of the plan.

The Observation of Plan Priorities

Since the annual budget is the principal means by which government authorizes and controls expenditures, most

¹Government of Pakistan, National Planning Board. First Five Year Plan. 1957, p. 95.

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outlays provided for in the public sector expenditure of a plan must be incorporated in the annual budgets if the plan is to be carried out. The conversion of a five year public development plan into a series of annual budget is, therefore, a vital step in the planning process.

...Planning without regard for the realities of annual budget implementation, becomes an academic exercise of little operational value.

In the annual budget, the foreign exchange requirements of individual projects also need to be entered. For agricultural projects for instance, especially for fertilizer, pesticides, or agricultural machinery imports, annual budgeting of foreign exchange is necessary if the plan target in agriculture is to be achieved.

For the initial two years of the first plan in Pakistan, there was little attempt to coordinate the provisions in the plan with the annual budgets. Annual development budget preparation was the responsibility of the Central Ministry of Finance and the Provincial Department of Finance. The National Planning Board tried to secure the authority to prepare the annual development budget but the Ministry of Finance turned down the Board's proposal.²

¹Herman, Robert S. "Two Aspects of Budgeting" in Indian Journal of Public Administration (New Delhi) Vol. III No. 3, July-September 1962, p. 319.

²Waterston, A. Planning in Pakistan. Baltimore, John Hopkins Press, 1963, p. 26.

The budgetary procedures laid down by the Ministry of Finance for allocation and disbursement of development funds against individual project were complicated and involved multiple checking and indiscriminate budget cuts which caused lag in implementation. For example, inclusion of a project in the annual budget of the Central Ministry of Finance or the Provincial Department of Finance and an ad hoc allotment of a fund for it gave no assurance that the Central Ministry of Finance or the Provincial Department of Finance would later disburse expenditures to execute the project. Under these circumstances the operating agencies often made exaggerated demands for project funds. Since the Central Finance Ministry or the Provincial Finance Department's staff had neither the knowledge about the project nor the competence to determine priorities of projects, there was often indiscriminate budget cutting in case resources fell short of expectation. This was often followed by bargaining and haggling between the Central Finance Ministry or the Provincial Finance Department and operating agencies. The result was that "the (executing) ministries and departments blame their lack of interest in the budget and sanctioning process on the fact that decision-making tends to be of an ad hoc nature on individual expenditure."¹

¹Government of Pakistan, Planning Commission. First Five Year Plan Preliminary Evaluation Report. Government of Pakistan Press, Karachi. 1960, p. 42.

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In the face of this unsatisfactory state of affairs the NEC in 1957 directed the National Planning Board to prepare the annual development budget in collaboration with the Ministry of Finance. However the situation did not improve. Wilcox documents this:

The planning authorities were not without influence to determining the magnitude of the development budget. The last word was spoken by the Minister of Finance. If the Minister's estimate indicate domestic resources available for development program would be smaller than had been expected by the planners, he required the development program to be curtailed. If non-development expenditures were larger than expected, planners had no authority to insist that they be cut. If tax revenues were smaller than expected, the planners could not insist that tax rate be raised or new tax imposed. So too with foreign exchange. More might be allocated for non-development uses and less for development than specified in the annual development program. When this determination is made, however, the planners might not be represented; if represented they did not have vote. In the allocation of foreign exchange, the demands of public sector were satisfied before those of private enterprise, the demands of the central government before those of provinces. In the crucial decisions that governed the allocation of foreign exchange, Ministry of Finance was dominant.¹

In the allocation of public funds, political projects which were not included in the plan took precedence. Specific examples were the government office buildings, housing for civil servants, National Assembly Building and refugee colonies, etc.

¹Wilcox, Clair. "Development Planning and Programming in Pakistan" in Economic Development Planning, Hagen Everett (ed). Homewood, Ill., Richard D. Irwin, 1963, p. 55.

There was also an absence of discipline in disbursement of development expenditure as provided in the annual development expenditure.

Political and bureaucratic pressures often proved to be more persuasive than provisions in the development programs. Some public agencies were able to exert more influence than others...(and) succeeded in getting what they wanted whether or not it was in the plan. Crucial fields such as agriculture and education had to do with less. The (annual) development program thus was honored in the breach as well as in observance. Priorities were ignored. Budget decisions made in June distorted the planning decisions (annual development program preparation) made in May.¹

It is clear that what was planned and what was done in practice bore little relationship. In part, this distortion can be attributed to the weakness of the planning agencies. The planning agencies did not have staff large enough and competent enough to convert the plan into effective annual program nor did it have access to higher authorities to get the distortion rectified. The limited concept of planning function at that time had permitted the creation of government structure that separated the programming operation from budgetary process. Planning was conceived only as a specialized function of experts but not as inherent in the process of sound administration at all levels of the government. As Lewis points out, an

¹Ibid. p. 68.

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order, priority and foresight into public expenditure was, therefore, essential.¹

The Use of Technical Assistance in
Planning and Implementation

Though Pakistan was fortunate in getting the services of foreign technical assistance, especially the Harvard Advisory group, their use in the first plan was rather haphazard and unplanned. The Central Planning Board had no control over the selection and use of foreign technical assistance by the government. The coordination of technical assistance was the function of the Central Ministry of Economic Affairs. Waterston states that the Ministry tended to coordinate technical assistance rather indifferently.²

Since the Ministry was not completely sympathetic to the purpose of the National Planning Board, it did not actively seek to obtain and place technicians where these were most needed to implement development projects. For example, the Harvard Group and World Bank resident representative in Pakistan argued that foreign technical assistance be obtained to establish 'planning cells' in the

¹Lewis, W. A. Development Planning; Essentials of Economic Policy. Harper and Row Ltd., 1965, p. 22.

²Waterston, A. Planning in Pakistan. Baltimore, John Hopkins Press, 1963, p. 39.

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executing agencies and to improve the budgetary procedures of the Central Ministry of Finance and Provincial Departments of Finance. Though foreign technicians provided by the United Nations, and the United States helped prepare and execute individual projects and sometimes made suggestions for improving budgetary practices, there was no correlated and continuing program to provide a coordinated corps of advisors to help establish 'planning cells' in executing agencies and to improve budgetary procedures.

In East Pakistan where the need for technical assistance was greater, attempts until early years of the Second Plan to place more than two Harvard Advisors were unsuccessful. Wilcox argues that even these two advisors were not made use of since there were no adequate professional staff to give advice nor was the government much interested in obtaining advice from these advisors.

The Utilization of Expenditures in the First Plan

In evaluating the results of the planning effort the utilization of expenditure is not an ideal measure. Yet crudely, it indicates to what extent the short fall in the physical targets could be attributed to the inability to utilize the stipulated plan expenditures.

The cumulative effect of the deficiencies in effective planning and implementation was that East Pakistan lacked 'absorption capacity' during the first plan. This

was evidenced by the fact that only 37% of the total planned expenditure under the first plan was utilized.¹ The largest short fall was in agriculture sector. Out of a total plan allocation of Rs. 558.5 million in the first plan in agriculture sector in East Pakistan, only Rs. 179.09 million was actually utilized, i.e., 32% (Table 3.1).

As will be seen later, in addition to the absence of drive and initiative required for preparing development projects the following problems prevented the fulfillment of the plan: delay in decision making on projects, lack of discipline in plan expenditure, public policies detrimental to private enterprise and an inexperienced and inadequately equipped Department of Agriculture in East Pakistan so that its staff could not handle a development program of the size included in the plan. There were also insufficient facilities for providing the farmers with high productivity inputs. In addition, delays in official procurement of supplies and lack of coordination at all levels hampered implementation. The cumulative effect was that only one third of the public sector expenditure could be used during the First Plan. Many of the physical targets in agriculture could not therefore be achieved due to the inability to make larger investment especially in new input supply.

¹Government of East Pakistan, Finance Dept. Economic Survey of East Pakistan. East Pakistan Govt. Press, 1965-66.

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Table 3.1 Public Sector Plan Allocation and Utilization to Different Activities within Agriculture in East Pakistan in 1955-60.
(Million Rupees)

| No. | Sector | Allocation | Utilization | Utilization
as a % of
allocation |
|-----|--|---------------|--------------|--|
| 1. | Plant breeding | 3.21 | 1.43 | 44% |
| 2. | Seed Multiplication and
Distribution | 32.22 | 16.35 | 51% |
| 3. | Manure and fertilizer* | -- | -- | -- |
| 4. | Plant Protection | 10.30 | .68 | 7% |
| 5. | Additional Research Proj. | 1.41 | .38 | 27% |
| 6. | Mechanization | 23.40 | 10.10 | 43% |
| 7. | Marketing regulation and
Government Storage | 2.94 | -- | -- |
| 8. | Fisheries | 7.20 | 3.14 | 44% |
| 9. | Animal Husbandry | 35.99 | 7.61 | 21% |
| 10. | Range Management | 0.60 | -- | -- |
| 11. | Forestry | 33.62 | 10.56 | 31% |
| 12. | Soil Conservation | -- | -- | -- |
| 13. | Soil Survey | 0.54 | .61 | 113% |
| 14. | Colonization | 1.27 | .09 | 7% |
| 15. | Farm Management | 0.20 | -- | -- |
| 16. | Agricultural Statistics | 1.00 | .05 | 5% |
| 17. | Training and Employment of
Professional staff in
Agri-education, research &
extension | 13.59 | 1.43 | 11% |
| 19. | Co-operatives, rural credit
and Marketing | 57.12 | 70.11 | 123% |
| 20. | Land reforms | -- | -- | -- |
| 21. | Village AID and Rural
Development | <u>143.90</u> | <u>36.55</u> | <u>25%</u> |
| | Total | 558.51 | 179.09 | 32% |

* Fertilizer allocation in the First Plan was with Central Government. The total allocation for the whole country was 200.28 million. No separate allocation for East Pakistan was available. On 50% basis, however, the allocation would have been 100.14 million. Out of Rs. 200.28 million of Central Government allocation, Rs 102.05 million is indicated to have been utilized in all of Pakistan no separate data for East Pakistan is available.

Source: a) Govt. of Pakistan, Nat'l. Planning Bd, First Five Year Plan 1955-60, Table 15.

b) Govt. of Pakistan, Planning Commission Evaluation Report of the First Five Year Plan - Agricultural Sector, Table 1, February 1963.

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Planning and Implementation During the Second Plan Period

Background Environment of Planning

During the second plan, the changing political environment in Pakistan was favorable for more effective planning and implementation.

Government Stability and Current Political Interests

Though the political leaders in Pakistan during the First Plan period publicly professed their apparent concern about the country's economic development, few of them had the ability and competence to follow up their words with appropriate actions. Part of the difficulty stemmed from the political instability in the country. Government commitment to economic development by planning is easier to secure in a milieu of political stability than in one characterized by constant flux. Perhaps more important, stable government irrespective of its type or form is more capable of ensuring systematic formulation and effective execution of development programs which have long gestation periods.

The Military government immediately after assuming office in October 1958 demonstrated keen interest in the plan and its implementation. The President laid out candor as a condition for achieving success in planning efforts.

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blinking that fact. Better far to find out where the error was and how it can be corrected. Some factors which led to unsatisfactory performance were outside our control, others were well within it. Both must be recognized as such, examined carefully and assessed critically. Self knowledge remains for the nation, as for the individual, the first step in wisdom.¹

An early step of the new regime was to strengthen the position of the central planning agency and allocate greater responsibilities to it. National Planning Board was redesignated as Planning Commission and made responsible to the Chief Executive. A Senior, competent civil servant was appointed as chairman of the Planning Commission. The President also appointed him as a chairman of a Central Government Reorganization Committee for devising and recommending appropriate administrative machinery for implementation of the plan. The Ministry of Economic Affairs under which the former National Planning Board was located, was abolished and all its functions transferred to the Planning Commission. On the recommendation of the Planning Commission, a Project Division in the President's Secretariat was created for reporting on the progress of projects and evaluating the implementation of the plan. In East Pakistan, a Project Division was also created to follow up and report on the progress in execution of projects.

¹Government of Pakistan Planning Commission, Objectives of the Second Five Year Plan, 1959, p. i.

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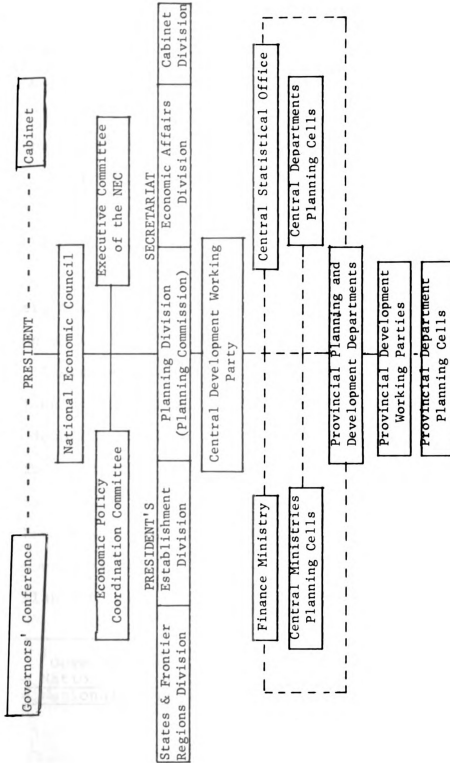
For effective economic policy-making, planning and implementation, the new regime established a strong Economic Council with President as chairman and twelve members including the chairman of the Planning Commission in 1959. In keeping with the new government's policy of giving the Planning Commission greater authority in economic policy and development matters, the chairman of the Planning Commission was made the Secretary of the Economic Council and all memoranda for the meetings of the Economic Council were to be prepared by and in consultation with Planning Commission which was named as the official secretariat of the Economic Council. This gave the Planning Commission much greater access to the economic policy-makers and opportunity to get appropriate actions approved for successful implementation of the plan. Along with the Economic Council was also created an Economic Committee of the Central Cabinet with Finance Minister as chairman to follow up day to day decisions on economic problems, supervise implementation of economic policies and approve development projects. Since the time of new regime, an organization called "Governor's Conference" with President as Chairman and two Governors as members was constituted as the highest policy-making body. This Conference, attended by Ministers and high officials, makes administrative and other major policy decisions. Discussions

frequently centered around questions affecting the implementation of the plan.¹ (Fig. 3.2)

Since 1959, these high level policy-making bodies have functioned fairly effectively. They have had a clearer grasp and understanding of the economic problems of the country. They have used the Planning Commission as a staff agency for advice on economic policies and problems. In keeping with the constitutional provisions, the Economic Council was redesignated in 1962 as National Economic Council (Appendix 1 for the nomenclature of the agencies in order of establishment). In addition to the two Provincial Governors, Central Ministers of the development Ministries, the NEC included the Deputy Chairman of the Planning Commission, and Ministers for Finance and Planning of the Provincial Governments. The functions of the NEC were clearly defined and enlarged (Appendix 2). To give the Provinces greater representation in economic policy decisions an Executive Committee of the NEC was constituted in 1962 which replaced the earlier Economic Committee of the Cabinet. The Executive Committee of the NEC, in addition to the Ministers of Finance as chairman, included the Ministers of the Central Development Ministries, Deputy Chairman of the Planning Commission, the Provincial

¹Waterston, A., Planning in Pakistan, Baltimore, John Hopkins Press, 1963, p. 84.

Figure 3.2 Organization for planning and Implementation During Second Plan in Pakistan: 1962



Note: Broken lines show advisory or indirect relationships; solid lines show direct supervisory relationship.

Based on Waterston, A., Planning in Pakistan, John Hopkins Press, 1963.

Governors and Provincial Ministers for Finance and Planning as members. The functions of the Executive Committee were:

(1) to sanction development schemes (both in the public and private sectors) pending their submission to the NEC:

(2) to allow moderate changes in the plan and sectional readjustments within the over-all plan allocation..

(3) to supervise the implementation of the economic policies laid down by the cabinet and the NEC.

Time limits were also set for the committee's meetings. It was to meet twice a month. Once in every quarter, these meetings were to take place at the two Provincial capitals.¹

There was a growing realization that economic policies and planning were inseparable and the effectiveness with which development plans were carried out depended to considerable extent, on the government's economic, monetary, and fiscal policies. For coordinating these policies with the plan objectives, an Economic Policy Coordination Committee was first constituted in 1962 with the Deputy Chairman, Planning Commission as Chairman and Secretaries of

¹Government of Pakistan Planning Commission, Charters of the National Economic Council, The Executive Committee of the National Economic Council and the Planning Commission, 1962.

Central Economic Ministries as members. The Central Cabinet within six months of its creation took over the function of deciding on basic economic policies at a much higher level. The Planning Commission, however, remained in the background, as a principal source of economic policy formulation. Backed by staff advice with economic competence, the new political leaders succeeded in setting the house in order by organizing improved machinery for policy-making and in supervising implementation of these policies.

The keen interest and commitment of the new regime to economic development was also evident from the scheduling of the second plan's preparation and implementation. The objectives and size of the second plan were approved by the Economic Council and published in July 1959, one year before the plan period began with a message from the President.¹ A more detailed outline of the plan was prepared and released for general information and comments in January 1960, about six months before the plan period began. The President issued a special directive to all the central ministries and Provincial departments and agencies, requiring them to study the plan outline. He also asked the entire country to comment freely on the draft outline. The Planning Commission sent copies of the

¹Government of Pakistan, Planning Commission, Objectives of the Second Five Year Plan, 1959.

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Plan with a request for comments to chambers of commerce, industries, trade groups, and universities. A Panel of Economists was constituted to advise the Planning Commission on the draft plan.¹ By making such widespread publicity, the political leaders attempted to bring home the importance that government attached to the plan and its successful implementation and to enlist greater participation and cooperation of all the government agencies, trade groups, and general public.

The Economic Council approved the final version of the plan in June 1960, just one month before the plan was scheduled to go into effect. While approving the plan, the Economic Council directed that no major departure from the plan could be made by the ministries and departments without the approval of the Economic Committee of the Cabinet and in matters of basic importance without the approval of the Economic Council. On paper at least, the authority of the Planning Commission could scarcely be improved.² By recording this directive, Economic Council demonstrated the significance attached to the

¹Report of the Panel of Economists on the Second Five Year Plan, (1960-65), Government of Pakistan Press, 1962.

²Wilcox, Clair, "Development Planning and Programming in Pakistan" in Economic Planning Economic Development, Homewood, Ill., Richard D. Irwin, Inc. Hagen Everett (ed), 1963, p. 70.

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observation of priorities in the plan. A few hours after the plan was approved by EC, the President made a nationwide broadcast exhorting his countrymen to make a most determined effort and the sacrifices needed to make the plan a success. Economic Council also appointed a 'Study Group' headed by the chairman of the Planning Commission to consider the desirability of a special implementation machinery for the plan.

The new government thus made economic development a central plank in its political program. As Waterston points out:

Everyone knows the President has made the plan his own. This commitment on the part of the country's leaders tends to be contagious. Formerly intractable problems are somehow beginning to be resolved because the will to do so is present.¹

Under a firm direction of a stable government and a streamlined action program and clear-cut functional responsibilities, a spirit more appropriate to development needs, a psychological moulding of the concept of the government function began to take hold among the civil servants.

¹Waterston, A. Planning in Pakistan, Baltimore, John Hopkins Press, 1963, p. 127.

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With clear-cut policies and judicious use of 'carrot and sticks', the political leadership is providing the civil service with both direction and incentives for improving development administration.¹

Status and location of the Central and Provincial planning agencies

During the second plan, the status and location of the planning agencies were considerably enhanced.

Central Planning Agency

Though the status of the Central Planning Commission was elevated at the beginning of the new regime in 1958, the new regime's support of the Commission continued until the Commission became one of the most influential and effective organs of the government. As a part of this support in August 1961, the government took a major step to increase and strengthen the nucleus of professionals in the Planning Commission. It was directed that the Commission would have the first call on any government economist or technicians. Though the directive was not enforceable in its entirety, it, however, demonstrated the priority attached to the Planning Commission and its responsibilities. Not only were the salaries of the Commission's personnel raised but also the services of the experienced civil servants placed at the Commission's disposal.

Ibid., p. 126.

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Though the desirability of according high priority to planning and implementation became more or less accepted in official circles, a much closer and more continuing cooperation between the Planning Commission and the operating ministries and departments essential for effective planning and implementation, was still not forthcoming in the desired degrees. An official statement in this regard dated 5th August, 1961 reads as follows:

The Government of Pakistan in their resolution....dated 3rd June, 1959, had described their economic and social objectives and defined the functions of the Planning Commission.

Since then, the government had noticed that the economic administration in Pakistan suffers from the following disadvantages:

- 1) The status of the Planning Commission is not sufficiently high since its chairman does not possess the status given to the head of the planning body in several other countries.
- 2) Effective coordination is lacking between planning and implementation.
- 3) In economic policy and research, insufficiency of coordination prevails between the planning commission and the economic ministries.

The government has decided to remedy these defects by enhancing the status of the Planning Commission and by redefining and enlarging its functions (Appendix 3). The President has been pleased to accept the Chairmanship of the Commission.¹

¹Government of Pakistan, Planning Commission, Charters of (1) National Economic Council; (2) Executive Committee of National Economic Council; (3) Planning Commission, 1962.

The Commission was to consist of:

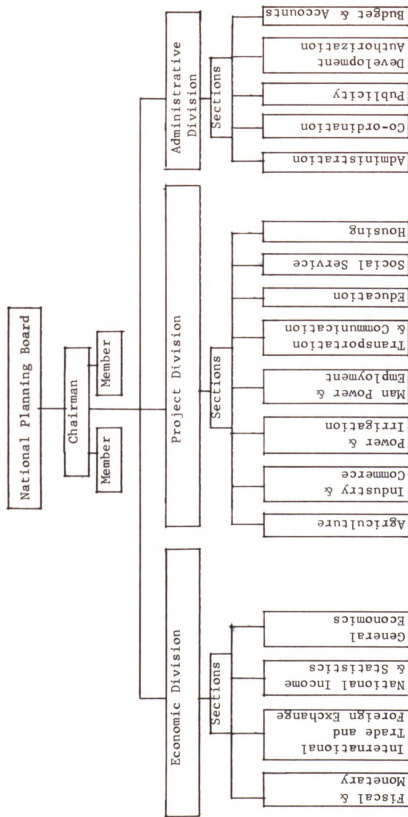
- 1) The President as Chairman
- 2) A Deputy Chairman (with ex-officio status of a Minister without Cabinet rank)
- 3) The Secretary - Member
- 4) A representative from East Pakistan - Member
- 5) A representative from West Pakistan - Member

The Commission as a whole shall enjoy the status of a Division in the President Secretariat (Fig. 3.4). By putting the Planning Commission in his Secretariat and by assuming chairmanship himself and by raising the Deputy Chairman of the Planning Commission to the Ministerial rank and enlarging the Commission's functions, the President hoped to reinforce the obligation of the ministries and departments to conform to the plan and to promote a greater amount of cooperation between them and the Planning Commission. As Hagen points out, unlike developed societies the government organizations in a society with colonial tradition, tend to show greater respect to authority and act more cooperatively for the satisfaction of the authority.¹

The Commission's expanded functions among others, included formulation and recommendations of economic policies to the central and provincial governments. There was at that time a growing acceptance within the government

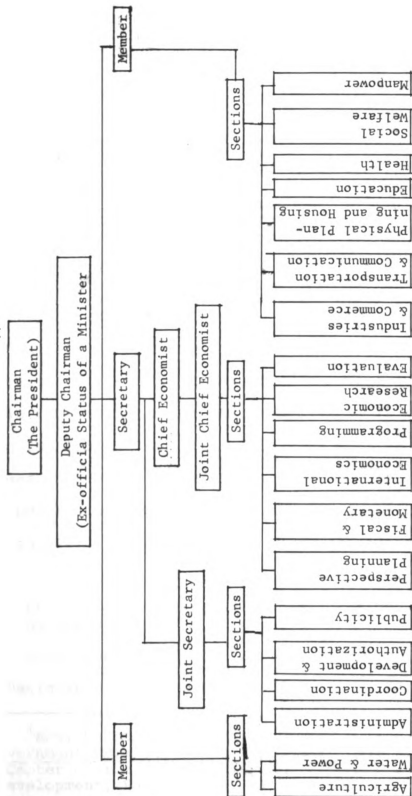
¹Hagen, Everett (ed), Economic Development Planning, Homewood, Ill., Richard D. Irwin, Inc., 1963, pp. 352-353.

Figure 3.3 A sketch of the Early Organization of the National Planning Board of Pakistan, 1955



Based on Waterson, A., Planning in Pakistan, 1963.

Figure 3.4 Organization of the Pakistan Planning Commission during the Second Plan: 1962.



Source: Haq, Mahbubul, "Planning Agencies in Pakistan" in Government Organization and Economic Development, Paris, 1966. Development Center of the Organization for Economic Cooperation and Economic Development.

of the integrality of planning and economic policies as well as greater recognition of the Planning Commission's competence in economic policy formulation. As Haq points out:

On the whole, however, arrangements to increase the association of the Planning Commission with the machinery of decision-making at the staff level and to secure greater degree of harmony between the planning process and economic policy formulation have improved considerably. The fact that planning commission has accumulated a large staff of experts...is responsible for attracting many of the policy assignments to the planning commission writing background policy papers for other decision-making ministries.¹

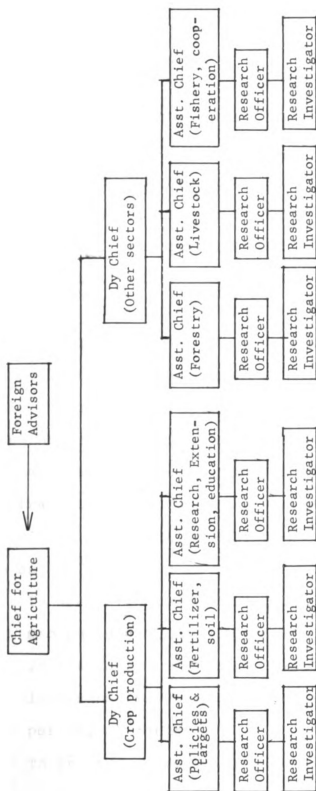
Specifically for agriculture, the agricultural section of the Planning Commission exercised a significant role in influencing major policy decisions in agriculture during the Second Plan (Fig. 3.5). As will be seen later, this was evident in fertilizer subsidy policy, food grain price policy and the encouragement of private trade for input supply, all of which were incorporated in the Second Plan.

Provincial Planning and Implementation Agencies

Significant improvements were also brought about in East Pakistan planning machinery during the Second Plan.

¹Haq, Mahbubul, "Planning Agencies in Pakistan", in Government Organization and Economic Development, Development Center of the Organization for Economic Cooperation and Development, Paris, 1966, p. 29.

Figure 3.5 Agricultural Planning Organization of the Pakistan Planning Commission in the Early Second Plan Period: 1961



Sources:

Private communication supplied by Mr. Saeed Ahmed, Research Officer, Food and Agriculture Section, Pakistan Planning Commission.

Following the abolition of the non-Civil Service Planning Board after the military take-over, the status of the Planning Department was raised in 1960 by giving its head the status of Additional Chief Secretary, the second highest civil servant in the Province. The idea was to make the executing agencies obliged to the authority of the position of the planning machinery and to make them act according to its advice and requirements. The professional staff was gradually increased in the Planning Department.

To sanction development projects and to assist in the preparation of projects by the executing agencies, a Provincial Planning Authority was created. In 1963, further improvements were effected when reorganization resulted in a new Planning Board combining civil servants and professionals with much enlarged functions. The new Planning Board was officially designated as the counterpart of the Central Planning Commission in the Province. The functions of the new Planning Board were much enlarged. They were as follows:

1. To assess resources and requirements for economic and social development in the Province.
2. To fix targets for provincial planning on a long range basis and break them up into periodical targets.
3. To prepare in consultation with all departments and other appropriate agencies, provincial

long range and periodical plans for the achievement of the targets fixed.

4. To examine and obtain approval of competent authority of development schemes at the provincial and Central levels.
5. To prepare annual development programs within the framework of the periodical plans and, on a determination of priorities, to propose allocation of resources.
6. To watch and evaluate the progress and implementation of the development programs.
7. To assess the quality of work and the benefits accruing therefrom by inspection, investigation and study of the projects under implementation.
8. To devise and adopt effective measures for efficient execution of all development programs and projects.
9. To prepare and enunciate economic and social policy of the Provincial Government.
10. To undertake and promote economic research, surveys, and investigations needed to support effective planning and development.
11. To examine such specific problems as may be referred to it by the Provincial Government, and
12. To maintain liaison with the Central Planning Commission and other appropriate Central agencies

in the interest of efficient and harmonious relationships between the Central and Provincial Planning activities.¹

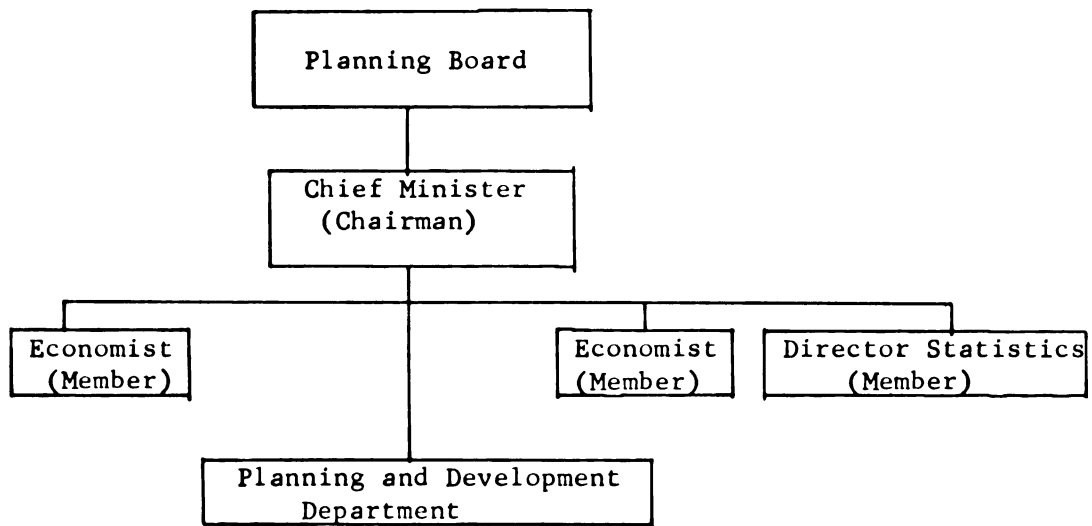
This East Pakistan Planning Board has a planning division and a project division (Fig. 3.7). The planning division has six sections covering the major sectors including agriculture. The agriculture section is the official counterpart of the agricultural planning section of the Central Planning Commission. It provides professional support to the Planning Board in matters of agricultural planning and implementation. Project Division inspects and reports progress of project execution to the Planning Board. Since the formation of the new Planning Board, the project sanctioning authority was also reconstituted with the Additional Chief Secretary, (planning) as its chairman.

Composition

1. Additional Chief Secretary (planning) to the Government of East Pakistan - Chairman
2. Members of the Planning Board - Members
3. Secretary to the Government of East Pakistan Finance Department - Member
4. Secretary to the Administrative Department concerned, in respect of the scheme(s) under consideration of the PPA - Member

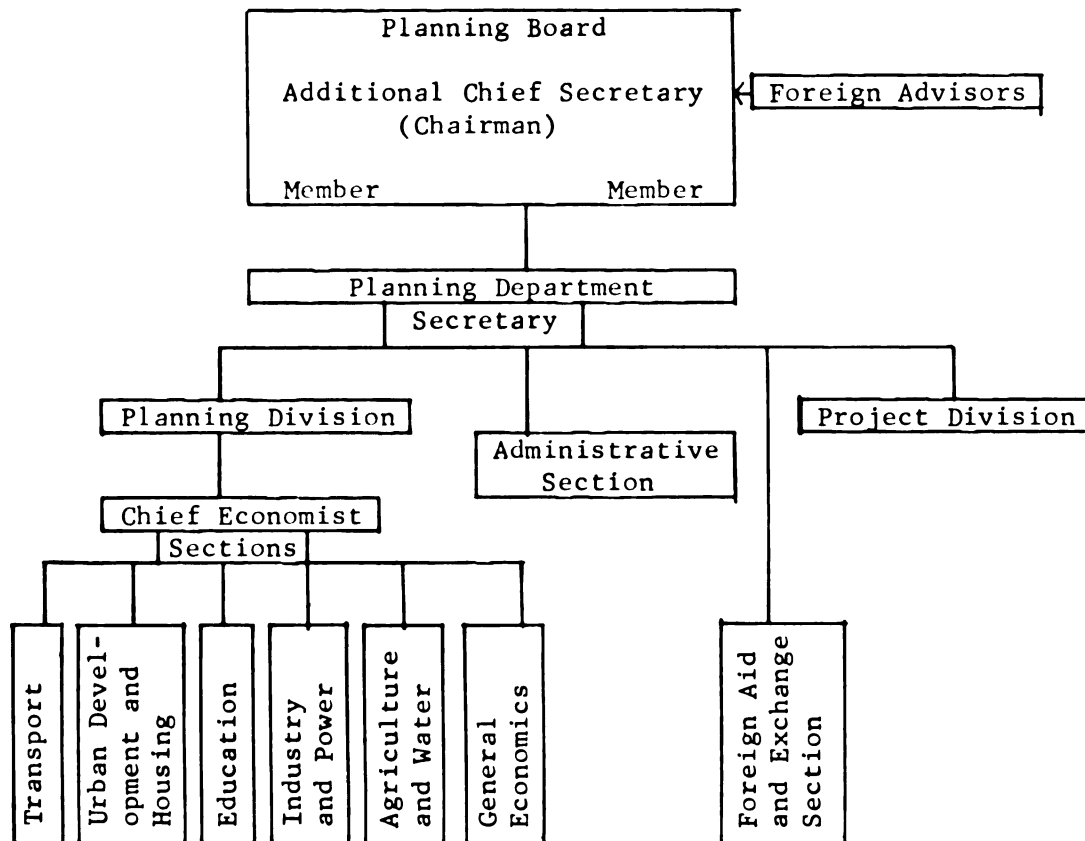
¹Government of East Pakistan, Gazette Notification No. 550/5/ESH dated 27/28 March, 1963.

Figure 3.6 Organizational Chart of the East Pakistan Planning Board in February, 1957.



Source: Based on Waterston, A. Planning in Pakistan, 1963

Figure 3.7 Organizational Chart of the East Pakistan Planning Board in September, 1963



Source: Based on an unpublished report of Mr. Q. Islam, the former Chairman, East Pakistan Planning Board, Mimeo, 1964

5. Secretary to the Government of East Pakistan Planning
Department - Member/Secretary

Functions

1. To review the overall economic position of the Province and to formulate the economic policies;
2. To direct and guide the preparation of development schemes;
3. To consider and approve the Annual Development Program, Five-Year Development Plan and Perspective Plan at the Provincial level;
4. To consider, approve or recommend for approval development schemes which are within the competence of the Provincial Government and the National Economic Council as the case may be.¹

The reorganization of the planning and implementation agencies in East Pakistan since the early part of the Second Plan involved a number of strategies which had a significant bearing on speedy decision-making essential for effective implementation of the plan.

(1) First, both planning, project sanctioning and economic policy-making functions were entrusted to specialized agencies. This was not the case in the first plan period.

¹Qamrul Islam, "Planning Organization in East Pakistan", Mimeo, 1964.

(2) Secondly, instead of separating planning and project sanctioning in watertight compartments which was the practice in the first plan they were integrated by inclusion of the entire Planning Board in the project sanctioning and economic policy-making authority. The project sanctioning and economic policy making authorities, were, however, broadened to include the Finance Secretary and the Secretary of the Administrative Department (sponsoring a project), as members. Inclusion of Finance Secretary facilitated thrashing out the financial implications of a project or of a policy and helped expedite plan implementation.

(3) Thirdly, though the Planning Board had not been able to build up enough professional staff and encourage adequate economic research, greater stability and working efficiency had been attained in planning and implementation by a team effort of civil servants and professionals. During the first plan period, implementation was hampered due to the absence of such a team effort.

The participation of the Executing Agencies in Plan Formulation

Planning including the detailed analysis of development potentials in particular sectors, identification of priorities and formulation of feasible programs and projects within a specific sector, had to be established and accepted as a regular function in the various ministries and departments

that actually carry out the national development programs and projects.

In a larger measure than in the case of first plan, the public sector program in the second plan was based on proposals received from the operating agencies. Though the Central Planning Commission still found it necessary to do a substantial amount of work on the Programs submitted.¹ For the agriculture sector in East Pakistan, for instance, the draft plan was formulated with active though not effective participation of all the appropriate technical agencies involved. The technical staff of the agriculture section of the Central Planning Commission held a series of joint sessions with the representatives of East Pakistan Planning Department, the East Pakistan Department of Agriculture, and all the executing agencies on the over-all plan objectives, policies, strategies and problems of agriculture sector. On receipt of the memoranda from each executing agency about its objectives, programs, problems in the past and future policies, the Central Planning Commission examined these memoranda and thrashed out the issues involved in another round of sessions before an agreed plan evolved.²

¹Waterston, A., Planning in Pakistan, Baltimore, John Hopkins Press, 1964, p. 102.

²Govt. of Pakistan, Planning Commission AGR-1, Explanatory statement about the sequence of actions leading to the preparation of development programs in agriculture sector to form a part of the second plan, 1960.

Active participation by the executing agencies gave greater realism to the program and an opportunity to the agencies for advanced planning for preparation and execution of projects.

The Speed and Effectiveness in the
Preparation and Approval of Develop-
ment Projects and Policies

During the second plan, significant administrative changes were made so as to expedite decision-making on preparation and approval of development programs and policies.

As an example, for improving development administration, a series of administrative reforms were introduced in the Central Ministries and the associated agencies. The Ministerial structures were reorganized in 1960 primarily for expediting the implementation of the second plan. Procedures and administration within the Ministries and agencies underwent considerable reorganization. One sweeping reform introduced in the much criticised overstaffing of secretariat was the elimination of several layers of Junior Secretariat staff.¹ Many of the central functions were transferred to the Provinces. Despite the success

¹G. Ahmed in "Changes in the administrative organization of the Government of Pakistan since 1953" in Public Administration (London) Winter 1961, p. 357, lists six layers (Lower Division Clerk, the Upper Division Clerk, the Assistant, the Superintendent, the Asst. Secretary and the Under Secretary) which were replaced by a section officer with a rank of Under Secretary.

and considerable decentralization of executive responsibilities, decision-making yet remained a slow process.

Exercise of power is habit forming and the administrative tradition in Indo-Pak sub-continent has been that of centralization of authority. The distinction between policy formulation (the staff function) and executive determination (Line function) is not always clear in practice...centralized coordination of development projects and programs inescapable in a planned economy has led to the further concentration of authority in the Central Government.¹

Administrative and organizational problems for speedy implementation of the plan was much more pressing in East Pakistan since East Pakistan's public sector development program during the second plan was twice as large as it had been in the first plan. A Provincial Reorganization Committee set up by the Central Government reported in April, 1962 that East Pakistan Government

suffers from over-centralization, absence of coordination at vital points of contact with the public, outmoded methods and procedures of work; delays and duplication and general inadequacies with its new and²enlarged responsibilities (of development).

The Committee's recommendations for simplifying procedures, removing administrative and financial bottlenecks in the execution of development programs and for decentralizing

¹Ibid. p. 358

²Press Communique as quoted in "Dawn" (Newspaper), April 25, 1962, The inadequacies of agricultural administration will be discussed later.

many departmental functions to the divisional, district and local levels, were all accepted by the Central Cabinet. To implement them within six months, an 'implementation cell' under the supervision of a high ranking civil servant was set up. The President directed that a progress report on the implementation of these reforms be sent to him every fortnight. With much promptness these reforms were introduced to minimize time-lag in decision making at administrative level.

To orient the civil servants in planning and development the curriculum of the Administrative Staff College, Civil Service Academy and other training institutes included courses on development economics, planning and budgeting, etc. The Probationary Civil Service officers were required to prepare and appraise development projects.¹

Gradually, a change in the official attitude towards private sector began to come about. In keeping with the changing public policy towards private enterprise which the second plan forcefully advocated and the NEC endorsed to "free the economy as much as possible from controls in

¹Government of Pakistan, President-Secretariat (Cabinet Division), Decisions of the Cabinet on the Report of the Provincial Administration Commission, Government of Pakistan Press, 1962, p. 20.

the commercial, industrial and agricultural sector and to rely increasingly upon the private initiative and judgment", there was official acceptance, despite some futile opposition by some civil servants about the role of private enterprise in the economic development process in a mixed economy.¹ As will be seen later, the execution of this changed policy was reflected in various fields in agriculture in East Pakistan.

Though the necessity for establishing suitably staffed "planning cell" in each Ministry, Department and Agency for paying adequate attention to the formulation of programs and preparation of projects, was seriously felt during the early years of the first plan, it was not until the Economic Council advised by the Planning Commission formally directed in July 1959 that such 'cells' were established.² Despite that the Central Planning Commission outlined the detailed composition and functions of the 'planning cells' and circulated them to all the development Ministries, Departments and Agencies, there was, however, no uniformity in the composition and sometimes delay in setting up such 'cells' in East Pakistan.³

¹Government of Pakistan, Planning Commission, Second Five Year Plan, 1960-65, June, 1960, p. xiv.

²Government of Pakistan, Planning Commission, Procedures for Preparation and Approval of Development Schemes, as approved by the Economic Council on 1st July, 1959.

³Qamrul, Islam, "Planning Organization in East Pakistan", Mimeo, 1964.

Nevertheless, an awareness gradually came, especially among the civil service officials to accord top priority to developmental functions and thus there upon assigned senior and competent officials to deal with these functions. The Department of Agriculture, for instance, constituted a 'planning cell' headed by the Secretary and represented by the Directors of the various directorates and autonomous bodies under its administrative control and the agricultural section staff of the East Pakistan Planning Department. Though a civil servant Deputy Secretary was assigned full time to deal with development activities, there was hardly any professional staff to provide technical support to the 'cell' on a continuing basis. The autonomous bodies like ADC and WAPDA, set up full-fledged Planning Division for preparation and evaluation of projects.

During the second plan for speedy and more efficient decision-making on appraisal and sanctioning of development projects, the planning agencies were assigned much greater responsibilities. Among the various important measures taken by the Economic Council to expedite decision making on projects was to lay down a new set of procedures for sanctioning of projects.¹ To cut down unnecessary delay in decision-making it was laid down that projects were to

¹Government of Pakistan, Planning Commission, Procedures for Preparation and Approval of Development Schemes - As approved by the Economic Council on 1st July, 1959.

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be examined and sanctioned by the Central Ministries jointly and simultaneously rather than in succession. Under the revised procedure, the Ministry of Finance would no longer have the right of separate review except for a project requiring the service of a foreign consultant. Even in this case, the Finance Ministry was given a maximum period of two weeks to finish scrutiny of a project. Where the Ministry unduly delayed action, the Central Development Working Party would be authorized to submit the project to the Executive Committee of the NEC for final approval.

In order to achieve greater objectivity in project appraisal and determination of priorities in accordance with the plan and to ensure better quality and standard in project preparation, the Planning Commission was given the sole authority to arrange meetings and the Deputy Chairman or the Secretary of the Planning Commission was to preside over these meetings. It was also directed by the Economic Council that only high ranking officials from the Ministries will be eligible to speak authoritatively on behalf of each Ministry. To expedite decision-making, the meeting of the Central Development Working Party was to be held once in every two months. The Planning Commission was required to send a list of pending projects with explanation for delay to the Executive Committee of the NEC which was to hold its

meetings twice a month for final approval of projects costing Rs 5 million and above.

By assigning this responsibility to the Planning Commission with clear-cut procedures, the NEC desired to ensure not only greater speed in decision-making in sanctioning of projects and policies and their greater conformity to the plan but also a reasonable standard in preparation of projects.

A recent report of the Ford Foundation observes:

By its representation on the (Central) Development Working Party, the Commission has been able to assist the operating ministries and departments in the planning process and to urge them to enforce better programming standards. To be recommended for support, every public sector project must be reviewed by the Development Working Party for its merits, its relationships with other projects and programs and its consistency with plan policy. Thus the proposing ministry or agency is obliged to document its case with technical and administrative data (costs, design, personnel requirements, time span)¹ and with plausible economic justification.

Increasing emphasis of the development assistance agencies (e.g., World Bank/IDA) on sound, practical projects as a condition for aid made the effective participation of the Planning Commission in project appraisal much more important. A partial evidence as to what extent the Commission has been able to ensure preparation of well-conceived projects is indicated by the larger flow of project aid and assistance

¹Design for Pakistan; A Report on Assistance to the Planning Commission by the Ford Foundation and Harvard University, Ford Foundation, New York, 1965, p. 23.

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during the Second Plan than during the First Plan. This is discussed in more details below.

Turning to East Pakistan, significant improvements were also made in decision-making on the sanctioning of projects during the Second Plan. An increase in the number of professionals in the planning department and the creation of a specialized Planning Board aided by Harvard Advisory Group enabled to speedier preparation of projects and the holding of project sanctioning meetings at least once in two weeks. Enhancement of the final sanctioning power of the provincial government from Rs 2.5 million to Rs 5 million during the Second Plan was another contributory factor to quick decision making at the Provincial levels. All projects exceeding this ceiling, however, required review first by Central Development Working Party and final sanction by the Executive Committee of the NEC (Fig. 3.8).

In a word, project sanctioning machinery at both Central and Provincial level during the Second Plan were institutionalized with more effective participation from the planning agencies with clear-cut division of responsibilities, procedures and with set time limits. This resulted not only in the improvement of programming standards, but also in more expedient decision making for speedy implementation of the second plan.

Fig

A.

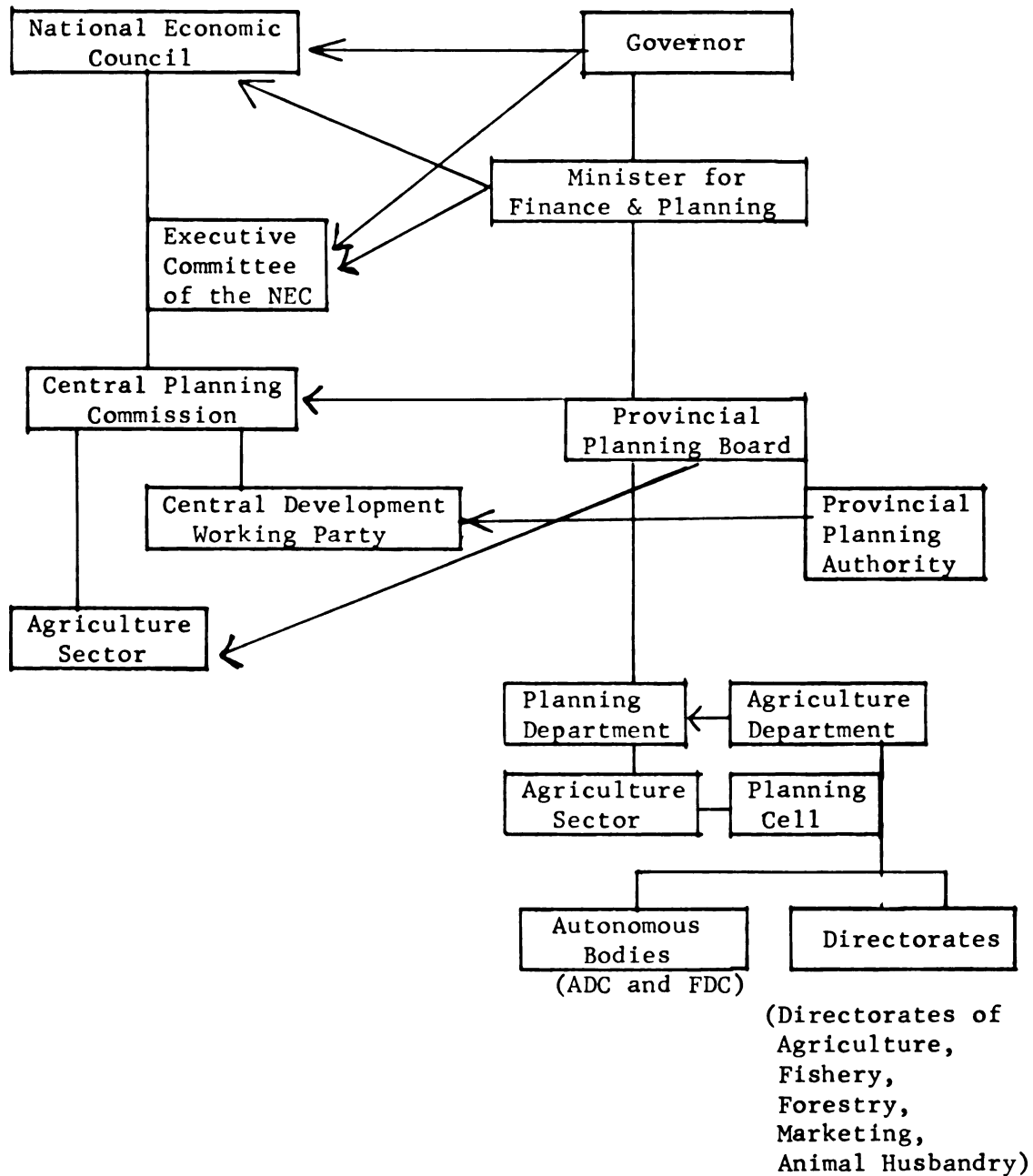
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Figure 3.8 A Sketch on the Working Relationships Among the Planning, Implementation, and Executing Agencies in East Pakistan in 1963.

- A. Central Planning and Implementation Agencies. B. Provincial planning, implementation and executing agencies (in E. Pakistan Agriculture).



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The Observation of Plan Priorities

During the second plan, significant reforms were effected in the budgetary process. Central Cabinet directed in 1959 that the second plan be carried out through the annual development program which should strictly conform to the plan objectives and priorities. The time-table for preparing the central budget was modified to permit the budget to include the annual development program. Only the projects entered by the Central Planning Commission and by the Provincial Planning Board into the annual development programs were to be included in the budget. Though there was some distortion in the first year, the budgets of the subsequent years of the second plan came much closer to the priorities in the annual development program.¹ On indication of the total development funds available in a particular year from the Minister of Finance, the planning staff allocated resources against individual sectors and projects in consultation with the executing agencies. The criteria for allocation were by and large, the past performance, the priority of the sector and project in the plan. Though the allocation criteria applied were based primarily on judgement, nevertheless, much greater objectivity

¹Waterston, A. Planning in Pakistan, Baltimore, John Hopkins Press, 1963, p. 110.

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was attained in allocation of financial resources in the annual development budgets during the second plan than before.¹

An innovation in the preparation of annual development budgeting which had a significant impact on the implementation of those projects with heavy foreign exchange requirements such as fertilizers and pesticides for agricultural uses, was the foreign exchange components against each project. Annual foreign exchange requirements for development programs in the public sector could thus be assessed. Judicious allocation of foreign exchange in the public and private sectors to achieve the plan objectives over and above normal commercial import needs, called for setting up of a foreign exchange allocation board to reconcile the competing claims on scarce foreign exchange resources. From the beginning of the second plan, a Board was constituted with the Secretary of the Planning Commission and representatives from the Central Ministry of Finance and the Provincial Departments of Finance and Planning. Creation of a central coordinating Board with

¹Haq, Mahbubul, "Planning Agencies" in Govt. Organization and Economic Development, Paris, 1966, p. 4.

It should be noted, however, a number of practical problems especially of measurement of returns are encountered in applying the standard allocation theory in allocation of resources to different projects in a less developed economy. A particularly good discussion of this is provided by Bell, David E., "Allocating Development Resources; Some Observation Based on Pakistan's Experience" in public policy, A Yearbook of Graduate School of Public Administration, Harvard University, 1959, Vol. IX, p. 84.

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greater representation from the planning agencies helped allocate foreign exchange in a manner more expedient to the attainment of plan priorities. Since there were competing claims on scarce foreign exchange, inclusion of annual foreign exchange requirements for public sector projects, however, did not necessarily guarantee that the entire foreign exchange provision against a project would be disbursed. Nevertheless, introduction of foreign exchange budgeting and allocation by a Board helped more effective implementation of some of the agricultural projects requiring import of materials from abroad during the second plan in East Pakistan.

Budgetary reforms were also introduced for quicker disbursement of Project funds. Project executing agencies enjoyed much greater financial flexibility in the second plan than in the first plan. For example, the new procedure involved a substantial delegation of powers formerly exercised by the Central Ministry of Finance and the Provincial Department of Finance to the operating agencies. When a project was approved and funds for it allocated in the annual budget, the responsible executing agencies could with some minor exceptions, make expenditures within budgetary limits without further reference to the Finance-Ministry and Department.

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The Utilization of Technical Assistance
in Planning and Implementation

Partial evidence of Pakistan's much greater 'absorption capacity' during the second plan can be found from the fact that Pakistan received much larger flow of foreign aid and assistance during the second plan than in the first plan (Table 3.2). By their active participation in project appraisal with professional competence, the planning agencies played an important role in improving the quality and standard of projects, major prerequisite for foreign aid.¹

The Planning Commission's services in documenting Pakistan's case for aid during the second plan had been a major factor in obtaining the volume and flow of external funds needed.² The planning agencies' participation in foreign exchange management and budgeting proved highly valuable in demonstrating professional expertise in aid requests especially the World Bank.

The role of the planning agencies in coordinating foreign aid and technical assistance was not, however, recognized until June 1961 when the World Bank showed

¹Design for Pakistan: A Report on Assistance to the Pakistan Planning Commission by the Ford Foundation and Harvard University, Ford Foundation, New York, 1965, p. 22. Separate figures for East Pakistan are not available.

²Ibid. p. 22-23.

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Table 3.2 Comparison of External Assistance Received by Pakistan During the First (1955-56 to 1958-59) and Second Plan (1960-61 to 1964-1965)

| (Rs in Million) | |
|---------------------------------|------------------------------------|
| Years | Total external assistance received |
| <u>1st Plan</u> ¹ | |
| 1955-56 | 520 |
| 1956-57 | 770 |
| 1957-58 | 790 |
| 1958-59 | 860 |
| 1959-60 | N.A. |
| Total | 2,940 |
| <u>Second Plan</u> ² | |
| 1960-61 | 1,094 |
| 1961-62 | 1,415 |
| 1962-63 | 1,866 |
| 1963-64 | 2,373 |
| 1964-65 (estimated) | 2,902 |
| Total | 9,650 |

¹Source: Govt. of Pakistan, Planning Commission. First Five Year Plan. Preliminary Evaluation Report 1959.

Includes project, commodity aid, and food aid.

²Source: Mason, E. S. Economic Development in India and Pakistan. 1966 Harvard University Press.

Excludes PL 480 counterpart funds and foreign exchange for Indus Basin.

skepticism about Pakistan's ability to prepare sound and well-engineered projects and Pakistan's requests to the consortium was, therefore, deferred until better documentation was available. The Bank questioned some cost estimates and feasibilities of many of the aid-worthy projects. It became apparent that separation of planning function from coordination of foreign aid and technical assistance was hampering the implementation of the second plan which was heavily dependent upon external assistance. The Economic Affairs Division, under the Ministry of Finance, which was preparing and coordinating foreign aid and technical assistance rather ineffectively, was soon placed under the Planning Commission. Since then the requests for foreign assistance became a professional task of the planning agencies at the Central and Provincial level. In January, 1962 the World Bank, on receipt of a fresh request prepared by the Planning Commission, reconsidered Pakistan's case and pledged larger foreign aid. Papanek documents this:

one highly valued function of the planning agencies (in Pakistan) has been to prepare the professional documentation required by the foreign and international agencies. The use of foreign technicians helped greatly in establishing the planning agencies' professional competence.¹

Coordination and use of technical assistance by the planning agencies during the second plan enabled them to make more

¹Papanek, G. F., Pakistan's Development; Social Goals and Private Incentives, Harvard University Centre for International Affairs, 1967, p. 86.

effective use of the foreign advisors especially the members of the Harvard Group. The services of the foreign advisors were used in the improvement of the annual development programming, the preparation of feasible projects, the detailed preparation for the use of foreign funds and even in drafting requests for foreign assistance.¹

In East Pakistan, there were six advisors attached to the major economic sectors in the Planning Board during the second plan. In agriculture, there were two advisors, one attached to the Planning Board and the other assigned to work with Agriculture Department and Agricultural Development Corporation. More effective use of these advisors during the second plan indeed helped the planning board staff attain professional competence and expand executing capacity.

In explaining the influence contributing to the remarkable economic progress in Pakistan since 1958, Professor Mason states:

First and possibly the most important is the very great improvement in economic management. To one who had considerable contact with the Pakistan of 1953 to 1958, it seems highly doubtful whether even with the sharp increase in aid flows, government regime of the type existing prior to 1948 could have achieved very much.

¹Design for Pakistan - A Report on Assistance to the Pakistan Planning Commission by the Ford Foundation, and Harvard University, Ford Foundation, New York, 1964, p. 14.

Second, of course, was the rapid increase and relatively high level of foreign assistance. In an economy such as Pakistan's with a very high import component in most types of development expenditure, it is difficult to see how a high rate of growth could be achieved at this stage without substantial aid flows.¹

Though domestic policies played an important role, the success of the agricultural program in East Pakistan during the second plan was especially dependent upon the import of high productivity inputs such as fertilizer, pesticides and low lift pumps which required aided by foreign aid and technical assistance.

The Utilization of Expenditure in the Second Plan

The impact of improvements in planning and implementation of development policies and programs brought about by the series of administrative, budgetary and economic policy reforms was clear in the dramatic increase in the 'absorption capacity' in East Pakistan during the second plan. Though the total size of the public sector investment program during the second plan (Rs 5760 million) was about twice as large as that of the first plan (Rs 3220 million), the important fact is that East Pakistan was able to utilize about 92% of the public sector allocation during the second plan against only 37% during the first plan.² (Table 3.3)

¹Mason, E. S., Economic Development of India and Pakistan, Harvard University, Center for International Affairs, 1966, Harvard University Press, p. 63-64.

²Government of East Pakistan, Finance Dept., Economic Survey of East Pakistan, 1964-65, 1965-66.

Table 3.3 Actual Annual Public Sector Expenditure of the Government of East Pakistan during the First and Second Plan (all sectors)

| Rs in Million | | |
|---------------|---------------------|--|
| Years | Actual Expenditures | |
| | All Sectors | Agriculture
(including V-AID
and Food) |
| First Plan | | |
| 1955-56 | 76.00 | 9.4 |
| 1956-57 | 162.70 | 41.7 |
| 1957-58 | 278.10 | 58.5 |
| 1958-59 | 325.70 | 65.8 |
| 1959-60 | 291.30 | 45.2 |
| Total | 1,133.80 | 220.06 ^{a/} |
| Second Plan | | |
| 1960-61 | 521.7 | 102.02 (actual) |
| 1961-62 | 695.7 | 136.21 (actual) |
| 1962-63 | 1,105.6 | 182.02 (actual) |
| 1963-64 | 1,436.2 | 207.95 (actual) |
| 1964-65 | 1,548.8 | 173.60 (estimate) |
| Total | 5,308. | 801.80 ^{b/} |

Sources: (1) Government of East Pakistan, Finance Dept. Economics Survey of East Pakistan 1964-65, 1965-66.

(2) Govt. of Pakistan, Planning Commission. Evaluation of Second Five Year Plan, 1966.

^{a/}Includes the agriculture expenditure of Central Government in East Pakistan. So there is some discrepancy in the figure of actual expenditure as shown in Table 3.1 with the figures in Table 3.3.

^{b/}Excludes the Central Govt. expenditure of Rs 149.97 million.

Also remarkable was the acceleration in the rate of utilization of the annual development expenditure throughout the second plan.

In Agriculture sector, the rate of utilization of public sector expenditure increased considerably also. Out of Rs 1033.80 million of total public sector plan allocation for the agriculture sector in East Pakistan, the actual amount spent was Rs 801.8 million during the second plan; i.e., 77% as against 32% in the first plan. In absolute amount, the public investment in agriculture sector in the second plan was about four times higher than during the first plan.

Summary and Conclusions

This section summarizes the contrasts in performance in planning and implementation between the first and second plan periods, particularly as they relate to East Pakistan. The six criteria of comparisons employed in this chapter provide the framework for the summary.

Background Environment of Planning

The unstable government during the first plan did not make country's economic development a major political issue and did not take effective measures to implement the plan. In contrast, the new government of 1958 not only had enough authority and power to give the first priority to economic development, but also took many necessary steps, including administrative reorganization and strength-

ening the authority and position of the planning agencies for effective implementation of the second plan. As compared with an ineffective National Economic Council for economic policy-making during the first plan, a strong National Economic Council and an associated Executive Committee with much enlarged functions and representation from the central planning agency was constituted to make economic policies and guide economic development during the second plan. Before the beginning of the second plan period the new government not only raised the status of the Central Planning Agency by making it responsible to the Chief Executive, but also gave it much larger responsibilities in implementation. The Central Planning Agency was also designated as the staff agency of the National Economic Council. This gave the Central Planning Agency much greater and easier access to economic policymakers and made it possible to obtain appropriate actions sanctioned by the economic policymakers. As an instance, while the first plan was not even finally approved and published until three years of the plan period were over, the second plan was not only prepared, publicised and finally approved well ahead of time but also implemented as scheduled. The political leaders during the second plan period not only gave strong support to the plan and its implementation, but also urged all government agencies,

trade groups and even the entire nation to make the plan a success. One of the clear demonstrations of political interest in the national plan was that the National Economic Council directed all the government agencies not to make any major deviations from the priorities in the second plan without prior approval of the economic policymakers. These measures had significant bearing on the implementation of the policies and programs in the plan.

During the first plan period, the Central Planning Agency was a temporary advisory body with a weak location in the administrative hierarchy as a part of the Ministry of Economic Affairs. It was unable to attract competent professionals and worked in an unsympathetic and hostile environment with no authority to make decisions to ensure the implementation of the plan. In contrast, during the second plan the Central Planning Agency was not only headed by the Chief Executive, but was also given representation on all the major economic policy-making bodies. Raising of status of the Central Planning Agency enabled it to attract career Professionals and to receive much greater cooperation from all the agencies in and outside the government necessary for effective plan formulation and implementation. With its enlarged function of economic policy formulation and the enhanced status of its Deputy Chairman as a Cabinet Minister and as a member of the

National Economic Council and the associated Executive Committee, it was much easier for the Central Planning Agency to coordinate economic policies so as to conform to the priorities in the plan.

In East Pakistan, during the first plan a non-civil Service Planning Board was created. It was, however, outside the operational processes of Government Civil Service administration and as such lacked effectiveness in planning and implementation. In contrast, during the second plan, a new Planning Board with enhanced status was created within the administrative hierarchy. The new Planning Board which had the advantage of a team of both civil servants and professionals was able to give effective attention to planning and implementation and to help expedite decision making.

The Participation of the Executing Agencies in Plan Formulation

The first plan was formulated with little active cooperation and participation of the project executing agencies from East Pakistan and as such with little consideration of their administrative and technical capabilities. In contrast, the second plan formulation particularly in agriculture sector in East Pakistan, was largely based on proposals from the executing agencies. Participation by the executing agencies gave much greater realism to the program and helped make possible much more effective implementation.

The Speed and Effectiveness in Preparation
and Approval of Development Projects and
Policies

In the absence of political stability and clear-cut direction from above, the civil service of Pakistan trained in a colonial outlook and with a conception of limited functions of the government did not demonstrate the urgency, drive and initiative required in dealing with the complicated functions of development activities during the first plan. With firm and clear-cut direction from the political leaders, a psychological change of attitude towards development took hold among the civil servants during the second plan. Improvements in development administration and activity at lower levels depend largely on firm and consistent leadership from above.¹

Of particular significance was the series of administrative reforms more appropriate for successful implementation of the plan which were carried out in the early years of the second plan. Not only were improved administrative procedures for handling development work implemented, but also the structure of the administration was changed to help expedite decision-making on development questions. Important innovations included suitably staffed 'planning cells' which were absent during the first plan, were set up in almost all the government agencies engaged

¹Waterston, A., Planning in Pakistan, John Hopkins Press, 1963, p. 4.

in development activities during the second plan. In addition, special training arrangements to study planning and development were made during the second plan to re-orient the civil servants towards development problems.

Against a multiplicity of economic controls which the civil servants attempted to enforce in the first plan thus dampening private sector initiative, there was a dramatic change in public policies towards encouraging private sector's initiatives which the planners of the second plan so forcefully advocated and the National Economic Council endorsed. This change in policy had a significant bearing on implementation of the second plan in general and on the agricultural programs in East Pakistan in particular.

While decision-making on project sanctioning was ad hoc in nature and involved unusual delay in the first plan, project sanctioning machinery during the second plan was institutionalized. Decision-making responsibilities were clearly defined and the sanctioning procedures streamlined. Also, planning agencies were given much greater authority in decision-making.

The Observation of Plan Priorities

Against somewhat arbitrary budget allocations and budget cuts in the development program with scant regard for priorities in the first plan, much greater order and

foresight were brought into budget allocation through the use of annual development budgeting in second plan. Not only were the priorities in the plan mostly observed, but also greater objectivity was attained in allocation of resources through the use of annual development budgets prepared by the planning agencies. Foreign exchange budgeting was introduced in the second plan period and a Foreign Exchange Control Board was created which assured more judicious allocation of foreign exchange for development programs in both the public and private sectors. These innovations in the budgetary process resulted in a superior management of scarce foreign exchange resources which helped particularly to expedite implementation of projects with heavy foreign exchange components.¹

The Use of Technical Assistance in Planning and Implementation

Technical assistance which was indifferently used in the first plan, was more effectively utilized when placed under the control of the planning agencies in the second plan. Professional competence of the planning agencies themselves thus significantly improved through more effective use of technical assistance. This was evident, for example, from much superior documentation

¹Mason, E. S., Economic Development in India and Pakistan, Center for International Affairs, Harvard University, 1966, p. 64.

of external assistance requests, especially to the World Bank. These planning improvements helped Pakistan receive a much larger volume of external assistance during the second plan which was vital for the implementation of the plan.

The Utilization of Expenditures in the Plan

The cumulative effect of the improvements in the planning process was, in part, reflected in the dramatic increase in the 'capital absorption capacity' of East Pakistan during the second plan. Though the size of the second plan public sector investment program for all sectors was about twice as large as that of the first plan, the Province was able to utilize about 92% of the stipulated expenditure in the second plan as against only 37% during the first plan. In agricultural sector, about 77% of the public sector planned expenditure was utilized during the second plan as against only 32% of the same during the first plan. The actual amount of public investment in agriculture during the second plan was about four times higher than that of the first plan.

To conclude the dramatic increase in the ability to spend such a high proportion of public expenditure during the second plan, was greatly facilitated by the improvements in the planning process. As Papanek points out:

With the political leadership able, especially after 1959, to use the government apparatus effectively the 'executing capacity' or the 'absorptive capacity for capital' of the government increased at a very rapid rate. In part, this resulted from Pakistan's centralized machinery for considering, deciding and implementing economic policy.¹

This increase in the capital absorption capacity made possible much more effective execution of agricultural development programs, especially those of new inputs which greatly influenced the increase in rice production during the second plan in East Pakistan. Of particular significance were the changes in economic policies made at about the same time as the improvements in the planning process. As will be seen in the subsequent chapters, these changes in policies also had a significant impact on rice production during the second plan.

¹Papanek, G. F., Pakistan's Development, Social Goals and Private Incentives, Center for International Affairs, Harvard University Press, 1967, p. 142.

CHAPTER IV
CHANGING STRATEGIES IN PRODUCT AND FACTOR
MARKETS FOR GREATER FARM INCENTIVES

Introduction

This chapter is concerned with the first part of the second of the two major inter-related hypotheses of the thesis. It analyses the changes in government strategies in both product and factor markets which considerably increased the incentives of the farmers for greater agricultural production. The next chapter documents the other part of the second hypothesis that the much greater local availability of high productivity inputs was fundamental to the increases in rice production in the second plan period. The two parts of this hypothesis are required as it is not sufficient to change input and product price policies. In order for the changes to have impact they must be realised at the local level through activities which include assuring the availability of the high pay-off inputs.

Significant changes in policies in both product and factor markets were effected by the beginning of the second plan to increase the incentives for farmers to produce more agricultural products. The underlying Schultsian assumption was that the farmers in East Pakistan were economically rational and would respond to the opportunities

for increased returns by increasing production. The principal changes in the product market were withdrawal of government restrictions on the rice market, increases in the level of the price of rice and greater stabilization of rice price. In factor markets, the pursuit of a more consistent and favorable input pricing policy particularly for fertilizer and irrigation water had considerable effect on increasing farmers' incentives for greater production.

Product Market Strategy Changes

This section examines in detail the strategy changes in the product market. It begins with the withdrawal of compulsory procurement then reviews the increases in rice prices followed by a discussion of improved management of rice marketing by the government which included a gradual shift to greater reliance on the private trade.

Withdrawal of Compulsory Procurements

East Pakistan except for a few years immediately after partition, has had a chronic shortage of foodgrains, particularly rice. This is due primarily to the rapid population growth of East Pakistan which is estimated at 2.6% per annum.¹

¹Government of Pakistan, Planning Commission. Third Five Year Plan (1965-70) June, 1965.

Because of this difficult situation partly to check inflationary trends and partly to avert potential political and social unrest centering around a food crisis, the government introduced foodgrain rationing immediately after partition in 1948,¹ for the urban consumers. The purpose of the rationing was to assure an adequate supply of rice at low prices for urban consumers.

To obtain rice for the urban consumers, the government procured rice from farmers by using two principal methods (1) a compulsory levy and selective procurement, and (2) a special levy.

Compulsory levy and selective procurement

Government regulations required that the cultivators in the surplus areas of East Pakistan must sell all their extra rice to the government at the procurement price which except for one year was always below the market price.² The amount of surplus of each farmer was determined by the Food Department staff on a more or less arbitrary basis.³ Alternatively, to facilitate easy procurement immediately after harvest, the surplus areas

¹Under rationing each consumer must register at one of the retail shops licensed and controlled by the Food Department and the rations (specified quantities) are issued from these shops at a controlled price in accordance with each one's list of rations specified in the ration cards.

²See Table 4.1. Further discussion of this point provided below.

³Shorter, F. C. "Foodgrain policies in East Pakistan" in Public Policy - A Yearbook of Graduate School of Public Administration, Harvard Univ., 1959, Vol. IX, P. 124.

were cordoned off and all movement of rice out of these areas was prohibited except on government account. As a result, prices in those areas dropped temporarily so that even with voluntary procurement methods the government could purchase the target quantity through the local agents appointed for this purpose. When the procurement target was achieved, all restrictions were withdrawn.

Farmers in non-surplus areas were under a selective procurement system. They were required to declare the amount of their stock of rice after harvest. The government would then buy the surplus quantity at the procurement price. As the farmers had to declare and sell their surplus rice at the government fixed price, they were discouraged from producing more than what they needed for home consumption. The compulsory levy was unpopular and often caused great harassment of farmers. The levy thus led to hoarding and black marketing. As anti-hoarding measures against millions of small farmers were essentially impossible to enforce. The instability in market price during this period was partly due to hoarding and black marketing.

Special levy

Though there are no statistics as to what quantities of rice were smuggled to India, the official presumption was that whenever the price of rice was higher across the

border, rice within the vicinity of border areas was smuggled to India as many of the border areas are surplus rice producing districts. To reduce smuggling in these areas, a special rice levy was enforced in the border areas up to a distance of five miles. In these areas the surplus stocks, if any, of a producer, were taken after deducting his requirement for family consumption at the rate of 8 maunds (298.6 kg) of paddy per head per year for members above 3 years of age. His requirements for seed were computed at the rate of one maund of paddy per acre (92 kg per hectre).¹

From the nature of operation of rice procurement programs, it is clear that the policies tended to be consumer-oriented rather than producer-oriented. The compulsions tended to exercise disincentive effect on the rice producers. Though the first five year plan gave top priority to increase agricultural production, particularly foodgrains, the procurement policies, especially in the early years of the first plan were formulated and executed in a manner that conflicted with the objectives of the plan. This could occur because the procurement programs and policies were formulated in a joint meeting of the top civil servants of the Central Ministry of Food and Agriculture, Finance and Economic Affairs with no coordination

¹United Nations. Food and Agricultural Organization, Commodity Policy Studies 18, FAO National Rice Policies, Rome, 1966.

with the National Planning Board. Though the final decisions regarding procurement prices to be paid to the farmers required the approval of the Central Cabinet, little attempt was made to have the economic implications of these policies on the farmer's incentives examined.¹ Though the Central Planning Commission made a critical appraisal of the stringent foodgrain procurement and pricing policies in 1957 and warned about the adverse effect of these policies on grain production, no significant changes in policies were made except that the procurement price was raised from Rs 14 per maund of milled rice in 1953-54 to Rs 18.12 in 1956-57.²

It was not until the present regime came into power in 1958 that the entire grain procurement, pricing and distribution policies were radically changed. The stringent government control on the grain market was gradually abandoned and greater reliance placed on market forces. Compulsory procurement methods of rice were completely abandoned in 1958 (Table 4.1). Since then except

¹United Nations Food and Agricultural Organization. Food and Agricultural Price Policies in Asia and The Far East. Bangkok, 1958. p. 88.

²Government of Pakistan, Planning Commission, Agriculture Section. Pricing of Food Grains, Dec., 1957 by Shafi, Niaz, Chief, and Dr. J. R. Motheral, Advisor.

Table 4.1. Internal Procurement of Rice in East Pakistan
(1947 to 1963)

| Year ^b | Procurement price
compared with
market price ^a | Form of
compulsion ^c | Quantity
(In thousand
long tons) |
|-------------------|---|------------------------------------|--|
| 1947 | Less | Cordons | 80 |
| 1948 | Less | Cordons | 81 |
| 1949 | Less | Levy | 122 |
| 1950 | Less | Levy | 65 |
| 1951 | less | Levy | 19 |
| 1952 | Less | Levy | 15 |
| 1953 | Less | Levy | 26 |
| 1954 | More | None | 125 |
| 1955 | - | - | - |
| 1956 | - | - | - |
| 1957 | Less | Cordons and
Border Levy | 33 ^d |
| 1958 | Less | Border Levy | 28 ^d |
| 1959 | Less | Border Levy
& Voluntary | 24 |
| 1960 | Less | " | 26 |
| 1961 | Less | " | 10 |
| 1962 | Less | " | 6 |
| 1963 | Less | " | 91 |

^aOr paddy (unhusked rice) in terms of rice.

^bThe procurement season is January through April.

^cMethods of procurement are explained in the text.

^dProvisional total at end of procurement season. N.A.:
Not Available.

Sources: a) Govt. of East Pakistan, Finance Dept. Economic Survey of E. Pakistan, 1963-64, 1964-65.
b) F. C. Shorter "Foodgrain Policies in East Pakistan." in Public Policy 1959, a yearbook of the Graduate School of Public Administration, Harvard University.

for the border areas, all procurement has been voluntary. In fact, only in 1963 and 1964 has internal procurement been appreciable during the second plan. Imports made possible through PL 480 arrangements became relatively much more important for assuring sufficient foodgrain supplies during the second plan.

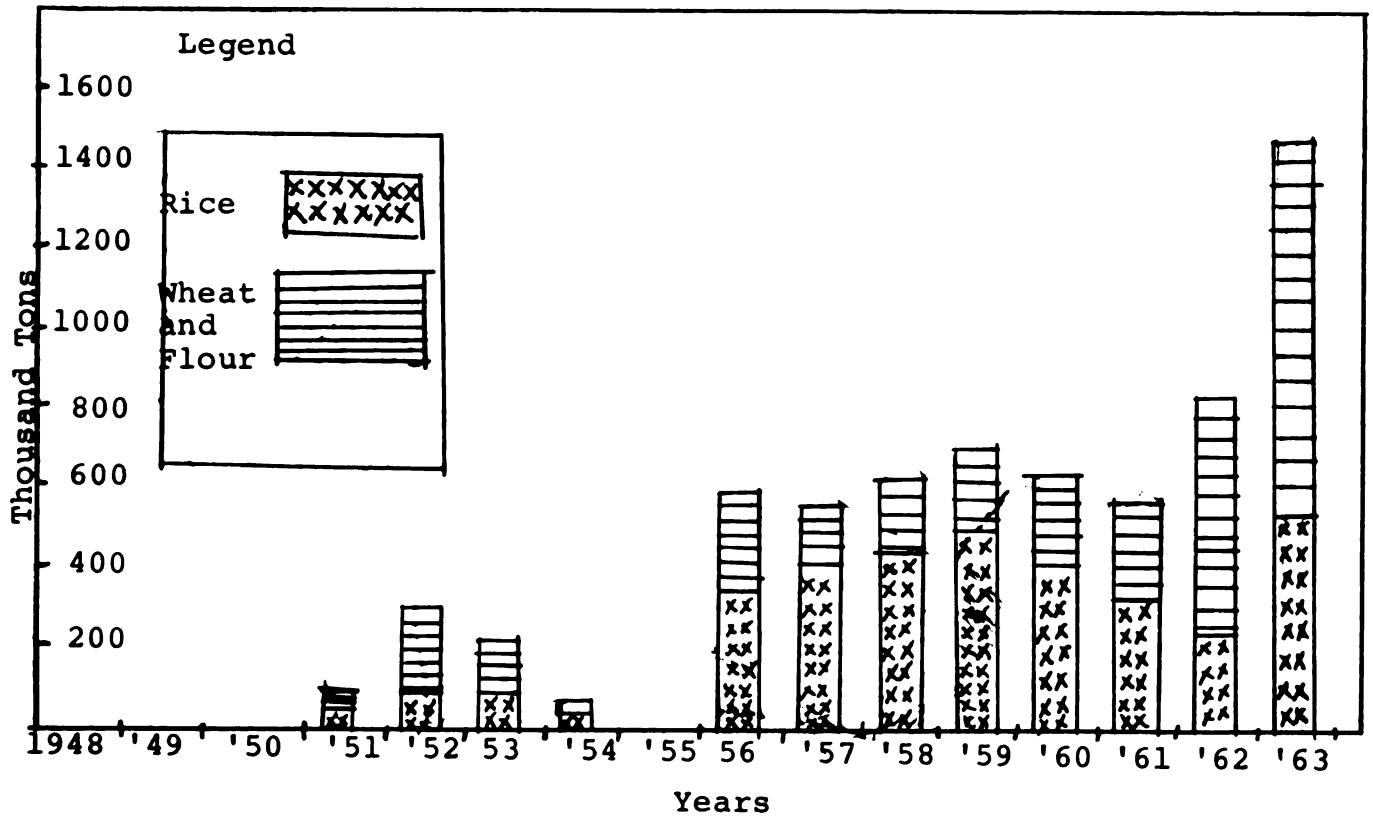
Increases in the Floor Prices and Ceiling Prices for Rice

We now turn to examine the pricing policies adopted and their effect on farm incentives. As indicated earlier, the procurement policy had the prime objective of preventing or limiting upward movement of rice prices though there was no clearly defined limit of what constituted an acceptable level of price beyond which a rise in price would be considered undesirable.

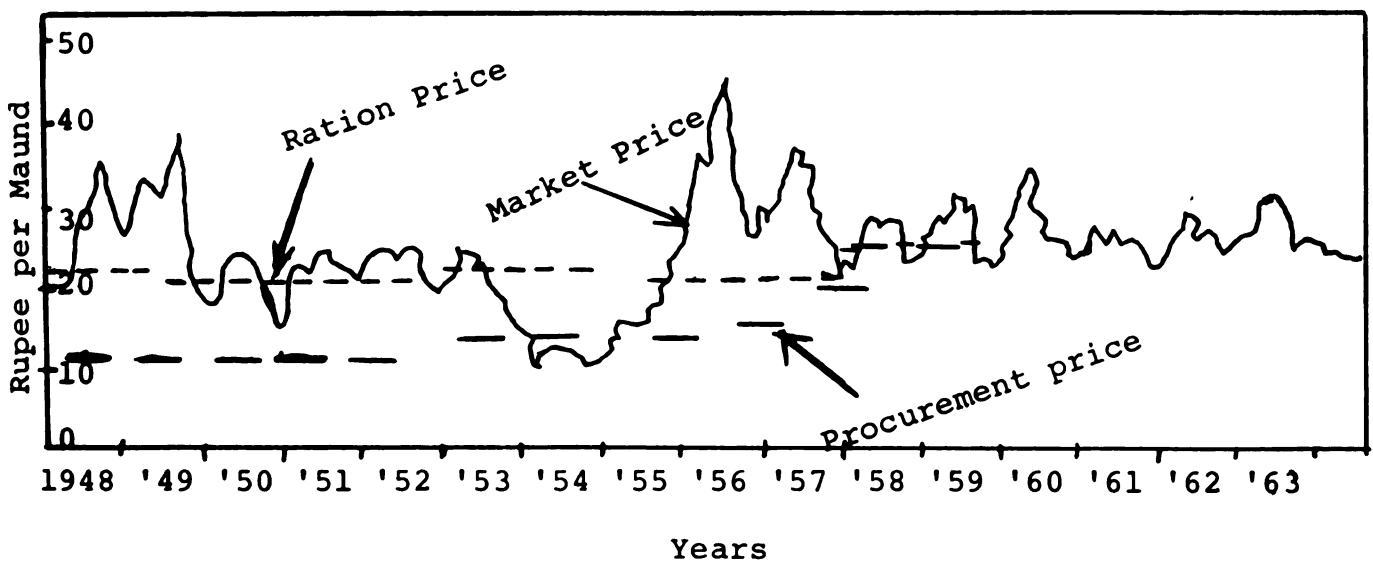
As a result of government involvement in the rice market, three sets of prices were in effect; viz, market price, ration price or ceiling price, and procurement price or floor price (Fig. 4.1). The market price was the average price of coarse rice for the province as a whole. This price had wide swings until 1958. The ration price was the ceiling price at which rationed consumers bought specified quantities of coarse rice from the ration dealers. It was fixed by the Provincial Food Department in consultation with the Central Ministry of Food and Agriculture and the Central Ministry of Finance. The

Fig. 4.1 Trend of Import of Foodgrains and Prices of Rice, East Pakistan, 1948-63

Import of Rice, Wheat and Flour in East Pakistan, 1951-63



Rice Prices in East Pakistan 1948-1963



Procurement Price was the floor price paid by the government to farmers. This was fixed by the Central Cabinet on the recommendation of high ranking officials of the Central Ministries.

In view of the government intervention, there were some indirect interactions among the procurement price, ration price and market price, thus leading to some elements of disincentives to the producers. An analysis of this is made here to indicate the background for subsequent improvements in policies. As Figure 4.1 shows the ration price remained relatively fixed around rupees 20/21 per maund except until 1958 when it was increased a little. At times the market price dropped near or below the ration price in which case rationing was withdrawn or ceased automatically as the consumers turned to the free market. When the market price rose the ration price was not raised. Trading losses were thus incurred by the government so as to keep the ration price low.¹

¹An UN/FAO estimate in Food and Agricultural Price Policies of Asia and The Far East, Bangkok, 1958. P. 89 shows that in 1956-57, total subsidy for whole Pakistan on account of rationing was of the order of Rs 80 million for rice and Rs 12 million for wheat.

In rationing most of the protection was given to townspeople for whom a ration was available until 1960. Shorter estimated that in the mid 50's approximately 1.8 million persons were under town rationing which covered most of East Pakistan's urban population.¹ The advantage of ration protection to the consumers was the saving afforded by the lower price paid for foodgrains. Fluctuations in the market price were indirectly affected by rationing. As Shorter states,

Consumers of ration demand less food-grains than otherwise from the market, thereby exerting a downward influence on market price. The deflationary effect, however, is not as great as it would be if imports were sold directly through the market. The sale of imports at ration prices instead of market prices leaves consumers with more money with which they can demand supplementary market rice and other things. The difference is that more market stability could be achieved by distribution directly through the market rather than through the ration system. However, by denying maximum price stability for those dependent on the market, the ration system secures substantial price protection for selected consumers.²

Another important cause of market price instability was the direct control of rice markets by the government which encouraged hoarding and black marketing.

¹Shorter, F. C. "Food Grain Policies in East Pakistan" in Public Policy, a yearbook of graduate school of Public Administration, Harvard University, Vol. IX, 1959, p. 121.

²Ibid. p. 121.

A further instrument of price policy is regulation of private stocks. Occasionally the government attempts to limit price rises by prohibiting producers, traders, or consumers (or sometimes all three groups) from holding stocks above prescribed amounts or for longer than short periods.¹

As already pointed out, the procurement price paid to the producers was typically lower than the alternative price which they could obtain from the market.² According to an FAO estimate, at times, the procurement price paid was about 50% of the market price.³

Food grain price policies pursued until 1957 thus bore little relationship to the policies of increasing foodgrain production as envisaged in the first plan. The study by the Planning Commission, referred to earlier, strongly urged a revision of grain price policies as an important strategy to encourage greater production.

It is appropriate to re-examine the role of foodgrain price and the corollary program of food subsidy. The end sought is increased

¹Ibid. p. 117.

²Ibid. p. 123.

³United Nations/Food and Agricultural Organization. Food and Agricultural Price Policies in Asia and the Far East, Bangkok, 1958, p. 91.

production of foodgrain and the method is that of providing greater incentives for the producers. In addition to the above mentioned measures, achievement of this purpose calls for the establishment of long range policy of minimum guaranteed price by the government for the major foodgrains. Moreover, in order to minimize cost, the present subsidy on foodgrain should be eliminated or drastically modified.¹

The revision of price policies suggested in the Commission's study implied raising of procurement price at least equal to the import price and restricting food-grain subsidies as provided through rationing only to lower income groups. Continued criticisms led to a revision of the price policies. As Table 4.2 shows, the floor price for medium milled rice was raised from Rs 14.00 per maund in 1953-54 to Rs 19.50 in 1957-58. During the second plan particularly in 1962-63 and 1963-64, the floor prices were further raised to provide incentives to the farmers. As will be seen later, rationing was partially withdrawn from the beginning of the second plan. Also the ceiling price of rice for the limited number of ration consumers and the stocks of rice released through the market, was raised from Rs 20 per maund in 1950-51 to Rs 23.75 per maund in 1963 thus cutting down the government subsidy especially to the ration consumers.

¹Government of Pakistan, Planning Commission, Agriculture Section. Pricing of Foodgrains. By Shafi Niaz, Chief and Dr. J. R. Motheral, Advisor. AGR-2 Dec. 1957, p.3.

Table 4.2 Rice Procured by the Government and Prices Paid, East Pakistan, 1947/48 - 1963/64

| Year | Production
(1000) a/
long tons | Quantity
procured a/
by Gov't. | Amount
procured
by Gov't. | Procurement prices paid | | | Amount Procured
of marketable
surplus e/ |
|---------|--------------------------------------|--------------------------------------|---------------------------------|-------------------------|------------------|---------|--|
| | | | | Milled
Medium | Milled
Coarse | Paddy | |
| | (1000 Tons) | (1000 Tons) | Percent | (Rupees per maund) | | | Percent |
| 1947/48 | 6736 | 80 | 1.32 | 12.5 to 13.4 | b/ | b/ | 13.2 |
| 1948/49 | 7673 | 122 | 1.58 | 12.0 to 13.4 | b/ | b/ | 15.8 |
| 1949/50 | 7378 | 9 | .12 | 12.5 | b/ | b/ | 1.2 |
| 1950/51 | 7343 | 19 | .26 | 12.50 | 12.00 | 7.50 | 2.6 |
| 1951/52 | 7034 | 15 | .20 | 12.50 | 12.00 | 7.50 | 2.0 |
| 1952/53 | 7335 | 26 | .35 | 14.00 | 13.50 | 8.50 | 3.5 |
| 1953/54 | 8245 | 125 | 1.50 | 14.00 | 13.50 | 8.50 | 15.0 |
| 1954/55 | 7590 | --- | -- | b/ | b/ | b/ | -- |
| 1955/56 | 6384 | 32 | .50 | b/ | b/ | b/ | 5.0 |
| 1956/57 | 8185 | 33 | .40 | 18.12c/ | 17.75c/ | 11.00c/ | 4.0 |
| 1957/58 | 7598 | 33 | .45 | 19.50c/ | 19.15c/ | 12.00c/ | 4.5 |
| 1958/59 | 7620 | 194 | 2.55 | 19.69 | 19.31 | 12.00 | 25.5 |
| 1959/60 | 6947 | 24 | .36 | 19.69 | 19.31 | 12.00 | 3.6 |
| 1960/61 | 8510 | 26 | .30 | 19.69 | 19.31 | 12.00 | 3.0 |
| 1961/62 | 9552 | 10 | .10 | 19.69 | 19.31 | 12.00 | 1.0 |
| 1962/63 | 9504 | 6 | .08 | 21.19 | 20.81 | 13.00 | .8 |
| 1963/64 | 8774 | 91 | 1.38 | 23.75 | b/ | b/ | 13.8 |

a/ Milled rice equivalent. b/ Not available. c/ An average of quoted prices. d/ Figures from 1958/59 to 1963/64 pertain to wheat and rice. e/ Assuming 10% of the total production enters into market. Sources:

(1) Government of East Pakistan, Finance Dept., Economic Survey of East Pakistan 1963/64 - 1964/65, 1965/66.

(2) United Nations/FAO Food and Agr'l. Price Policies of Asia and Far East, 1958, Bangkok, ECAFE.

Better Management of Rice Marketing and
a Gradual Shift to Private Trade.

Further improvements in rice marketing policies were effected during the second plan.

In 1959, Takahashi, Foodgrain Consultant to the Agricultural Section of the Planning Commission, made an exhaustive analysis of the foodgrain policies and outlined suggested changes in the role of the government in the grain market.

- (1) voluntary procurement of foodgrains
- (2) control over the import of foodgrains
- (3) building up of a reserve food stock for meeting emergency requirements and stabilizing prices.
- (4) releasing food stocks at a fixed price whenever market price exceeded a ceiling price.
- (5) exporting surplus grains not required¹ for maintaining minimum reserve stocks.

His policy recommendations implied a gradual relaxation of government direct control and restoration of private trade in rice marketing.

The second plan concurring with Takahashi's policy outline, emphasized the role of incentives as a necessary

¹Government of Pakistan, Planning Commission, Agriculture Section. Foodgrain Situation in Pakistan. By Shigeharu Takahashi, Foodgrain Consultant. AGR-5 Aug. 1959, p. 19.

condition for stepping up foodgrain production.

Production must be promoted by suitable incentives. Prices, procurement and distribution policies are key elements in the program for attainment of self-sufficiency (in foodgrains). The government decisions towards this end should continue to be guided by four objectives:

- (1) provision of adequate incentives to grain producers through a system of attractive prices guaranteed over a term of years.
- (2) reduction of direct government costs by transfer of marketing activities to private trade and by lowering subsidies to the ration consumers.
- (3) protection of the public against shortage and price exploitation by developing a substantial reserve stock program.
- (4) continuation and intensification of smuggling control.¹

The gradual improvement in food grain policies suggested in the second plan was evident from another policy recommendation.

In agriculture as in other sectors of the economy, the government policy favors a diminution of a direct control of a kind that tends to restrict production. Instead, the trend is towards general measures aimed at creating a climate in which farmers should be able to take decisions free from control but with some assurance of minimum price. The price received by farmers (for food crops) must be sufficiently high and predictable to

¹Government of Pakistan, Planning Commission, Second Five Year Plan (1960-65). June 1960, p. 128.

generate his interests¹ in both intensive measures for increasing output.

The possible dangers inherent in the free market policy was also pointed out in the plan.

Food is the largest item of consumers' expenditures and uncontrolled food prices may well present an inflationary threat. Seasonal shortages, hoarding and price manipulation are the real dangers in a purely free market approach.²

From the evidences above, it is clear that the change in foodgrain policies for creating a better incentive environment of the farmers as a necessary condition for influencing larger production was clearly advocated by the professionals and the planners in the year immediately preceding the beginning of the second plan. The changing policies in the second plan are examined in the following section.

Upward trend of relative price of rice due to increase in demand and change in price policies.

From the beginning of the second plan, the government, in keeping with the policies enunciated in the plan, largely adopted a free market policy. In the early part of 1960, rationing was abolished in 16 out of

¹Ibid., p. 143.

²Ibid., p. 143.

the 19 urban centers in East Pakistan and the rice trade returned to private channels. As Mason pointed out, these steps were undertaken over the considerable opposition of civil servants who feared a very sharp increase in urban rice prices. Because of the availability of PL 480 wheat and standby arrangements for the import of rice from Burma and pursuit of a judicious distribution policies, no such abrupt rise in prices occurred.¹

From 1958, however, the relative price of rice had been creeping upward, partly as a result of withdrawal of government restrictions and partly as a result of increased demand due to the growth of population and some increase in per capita income.

Price stability

As laid down in the plan, the maintenance of the stability of rice prices became one of the major objectives of the foodgrain policies during the second plan period. Price stability was to be attained by controlling the erratic supply of rice largely through imports, by building adequate food reserves, and by releasing stocks in case of shortages through a network of warehouses all

¹Mason, E. S. Economic Development in India and Pakistan. Harvard University Center for International Affairs. Occasional Papers in International Affairs No. 13, Sept. 1966, p. 52.

Average annual import of foodgrains in East Pakistan during first plan was about 400,000 tons as against 750,000 tons during the second plan.

over the Province. By stabilizing the price, the rice producers would be assured of a more stable return.

Though the storage build-up program of the government began earlier, the program was considerably stepped up during the second plan. For instance, against 1,500,000 tons of storage capacity in 1955, the capacity was increased to 7.68 million tons in 1964 of which the government owned 5.29 million tons capacity with the rest as hired. For evening out supplies, 10 central supply depots and 287 local supply depots scattered all over the Province were maintained by the government. The Food Department, it was estimated, handled and stored about 50% of all grains (both rice and wheat) moving through market channels. This was estimated to be about 10% of total supply of foodgrains in the Province.¹

The data below show the extent to which the objective of rice price stabilization was achieved. The annual retail price of rice fluctuated quite sharply in the period 1947 to 1956 relative to the period 1957 to 1963. (Fig. 4.1)

An estimate of the 'variation co-efficient' for the 'latter period' (1957 to 1963) was 3.10 against 10.2 in

¹Hettlezetter. "Report of the Foodgrain Storage in East Pakistan". Submitted to the Government of Pakistan, 1966, p. 121.

the 'earlier period' (1947 to 1956).¹ Thus the annual price variation in the 'latter period' (1957 to 1963) declined to one-third from the annual price variation in the 'earlier period' (1947 to 1956).

It may be concluded that larger imports of food-grains partially checked the upward trend in price of rice. The downward trend in price was probably checked by greater demand generated by growth in population and in per capita income.² The absolute increase of population of 8.4 million in seven years (1957 to 1963) and increased per capita income following large scale development expenditure, particularly during the second plan, tended to push the price upward.³ Probably there were other factors such as improvement in transportation system, abandonment of compulsory procurement, and freer rice trade which also contributed to the relative stability of annual retail price of rice.

¹'Variation co-efficient' is defined as the standard deviation of annual first difference expressed as a percentage of the mean.

²Income elasticity of demand for food in general in East Pakistan is estimated at .67 and for foodgrains at .35 by Khan I. Mahammad in an article "A Note on the Consumption Pattern in East Pakistan Area" in Pakistan Development Review, Autumn, 1964.

³International Bank for Reconstruction and Development/International Development Association. The Economic Development Program of Pakistan. Dept. of Operations, South East and Middle East, April 1964, p. 52.

The seasonal price variation in the 'latter period' (1957 to 1963) also appeared to have been reduced to one-third of the seasonal variation in the 'earlier period' (1947 to 1956). The standard deviations of the monthly average retail price of rice for the 'earlier and latter period' calculated were found to be 6.7 and 2.5 respectively. The operation of Food Department's storage program throughout the Province and the release of stocks of rice and wheat were major reasons for the reduction in seasonal price fluctuation.

The measures despite the inadequacy of data indicate that price stabilization was somewhat achieved from 1957 to 1963. For the remaining two years (i.e., 1964 and 1965) of the second plan, rice price also remained fairly stable. As Papanek states "Between 1961 and June 1965 with 1959-60 as base 100, the index for East Pakistan rice prices has been above 110 for only 3 months -----". During the extra-ordinary harvest of 1963-64, wholesale prices dropped from an index of 112 to 74 in 9 months."¹ Increase in the price of wheat which had a substitution effect on rice and suspension of PL 480 wheat import in 1964-65 reversed the rice price trend.²

¹Papanek, G. F. Pakistan's Development - Social Goals and Private Incentives. Harvard University Press, Cambridge, Mass. 1967, p. 154.

²International Bank for Reconstruction and Development/International Development Association. Economic Development Program of Pakistan, April, 1964, p. 52.

The conclusion that emerges from the discussion above is that relative increase and stability in rice price and creation of environment uninhibited by government restrictions during the second plan did to some extent, affect the farmer's appraisal of risk of investment in new inputs such as fertilizer and irrigation water. As Papenek observed

However, it is doubtful that progress, even in the use of these inputs would have been great without support from government price policies, infrastructure development and distribution policies.¹

One important implication that follows from our discussion is that it is highly doubtful that the drastic change in foodgrain policies would have been possible if professional advice especially about how market forces and farm incentives operate had not been available and given due consideration by the economic policy-makers and policy executors. The NEC's special directive not to make major departures from the policy recommendations in the second plan was particularly necessary for proper execution of the foodgrain policies in East Pakistan.

1

Papenek, G. F. Pakistan's Development - Social Goals and Private Incentives. Harvard University Press, Cambridge, Mass. 1967, p. 183.

Factor Market Strategy Changes

The impact of government policies and actions on the incentives of rice farmers during the second plan may have been even more significant on the input price side. Farmers' incentive to invest in high productivity inputs such as fertilizers and irrigation water is increased if the ratio between cost and return is improved. This can be accomplished by higher and more stable product price or by lower costs for inputs.

During the first plan, irrigation water was supposed to be subsidized to the extent of 25 to 30% of cost, plant protection except for tea gardens and sugar cane plantations was to be provided free of cost and fertilizer was recommended to be subsidized to the extent of 50% of cost. Since input subsidies are measures aimed at promoting rapid agricultural growth through the early and large scale adoption of these inputs by the farmers, the rate of subsidy has to remain unchanged over a reasonable number of years so that farmers may not be left in doubt as to the cost of the new investment.

Despite recommendations for subsidizing new input costs in the first plan, no consistent execution of these policies, especially for fertilizers, occurred during the first plan period. Also, the rate of fertilizer subsidy was so variable from year to year and changed on such short notice that much of the expected impact of subsidy was lost.

This situation was made worse due to the fact that fertilizer was seldom ever available in farming areas. As an example of changing nature of policy, in 1952-53 fertilizer was sold at a subsidy of 60% of the cost while in 1954-55, it was reduced to 50%. It was raised again to 66% in 1955-56. In 1958-59, the rate was suddenly lowered to 40%. This sudden lowering of the subsidy resulted in a serious set-back to fertilizer consumption and imported fertilizer did not move out of government godowns in large quantities.¹

On the other hand, during the second plan, the rate of fertilizer subsidy was not only maintained consistently at a pre-determined level of about 55 percent but it was also manipulated in such a way as to encourage the use of those types of fertilizer which were required for production increases but which were not quite as popular among the farmers. (Table 4.3). For instance, the subsidy rate of triple superphosphate was increased to 67% in 1963-4 to induce the farmers to make use of phosphorous so as to balance the fertilizer elements used.

Table 4.4 illustrates the extent to which higher fertilizer subsidy and higher product price provided greater incentives to the farmers during the second plan. The gross input-output ratio with 40% subsidy of fertilizer cost in 1958 is estimated at 1:4.8. With a slight rise in product price and an increase in the subsidy to 55% of the

¹Govt. of Pakistan, Ministry of Food and Agriculture, Report of the Food and Agriculture Commission, 1960, p. 77.

cost of fertilizer, the gross input-output ratio is increased to 1:6.6.

Table 4.3 The Rate of Fertilizer Subsidy during the Second Plan in East Pakistan.

| Types of Fertilizer | Cost per Ton (in Rs) | Price charged per Ton (in Rs) | Rate of Subsidy (in percent) |
|---------------------------|----------------------|-------------------------------|------------------------------|
| a) Urea | 620 | 276 | 55 |
| b) Triple super phosphate | 616 | 276 | 55 ^{a/} |
| c) Muriate of Potash | 436 | 174 | 60 |

Source: East Pakistan Agricultural Development Corporation, Dacca.
 "Scheme for Procurement, distribution and sale of fertilizer in East Pakistan (1965-66 to 1969-1970)", Dec. 1964.

^{a/} In 1963-64, the rate was increased to 67%.

Table 4.4 The Gross Fertilizer-Rice Input-Output Ratio
in 1958 and 1963 in East Pakistan.

| | Rice Milled | |
|--|-------------|-----------|
| | 1958 | 1963 |
| 1. Assumed response of rice (1 lb. of fertilizer nutrient gives 5 lbs. of cleaned rice) <u>a/</u> | 5 | 5 |
| 2. Price of 5 lbs. of cleaned rice @ 29 Paisa per lb. in 1958 and 33 Paisa per lb. in 1963 | 145 Paisa | 165 Paisa |
| 3. Price of fertilizer per lb. of nutrient @ 30 Paisa in 1958 at 40% subsidy of fertilizer cost @ 25 Paisa in 1963 at 55% subsidy of fertilizer cost | 30 | 25 |
| 4. Gross input-output ratio <u>b/</u> | 1:4.8 | 1:6.6 |
| 5. Price of fertilizer per lb. of nutrient unsubsidized | 50 | 54 |
| 6. Gross input-output ratio without subsidy | 1:2.9 | 1:3 |

a/ Fertilizer response figure is the adjusted estimate made in East Pakistan in 1963-64 by Mears Leon and Hpu U. "The Role of Fertilizer in Increasing the Growth Rate of Production of Major Crops in East Pakistan during Third Plan." July, 1964.

b/ Gross in the sense that only fertilizer cost is included.

While irrigation water on government projects was subsidized to the extent of 20 to 30% of the cost during the first plan, the rate of water subsidy during the second plan was raised to about 49% of cost to encourage the use of more irrigation water for crop production by the farmers. More specifically, irrigation water charges per acre during the second plan were Rs 37 per acre though the cost of irrigation per acre was estimated at Rs 70.¹ Since water and fertilizer were the most crucial inputs for increasing rice production during the second plan, as will be shown in the next chapter, the increased subsidies reduced the uncertainty as well as the cost of these new inputs encouraging farmers to adopt them more extensively.

Summary and Conclusions

There appears to have been little general appreciation of the importance of farm incentives for increasing rice production during the first plan period. A major shift to increase farm incentives was vigorously adopted and carried out during the second plan period. Though differing in intensities, the incentive measures adopted covered both product and factor markets.

¹East Pakistan Agricultural Development Corporation, Dacca. "Scheme for mechanized cultivation and power pump irrigation in East Pakistan." 1965.

In the product market, the most significant incentive measures were the withdrawal of compulsory methods of procurement of rice from the farmers, the increases in the floor price of rice at least up to the level of the import price, and the raising of the ceiling price so as to cut down the subsidy to the ration consumers. A relatively free rice market policy was adopted from the early years of the second plan. These actions allowed the market price to regain a more normal equilibrium level. These changes were made despite opposition from the civil servant officials and were probably only successful as a result of effective economic advice to the government by the planning group. By larger imports especially through the PL 480 program and a buffer stock operation through a network of warehouses, greater stability in both annual and seasonal prices of rice was achieved during the second plan.

The comparatively higher and more stable product price and the freer environment for farmers in selling their rice increased rice farmer's incentives. Relatively stable and higher product prices also reduced risks in investment in high productivity inputs and had an indirect effect on increasing rice production during the second plan.

In the factor markets as well, a more consistent and cheaper input price policy, especially for the crucial inputs of fertilizer and irrigation water considerably improved

the cost-price relationship and induced the farmers to use these inputs more extensively during the second plan.

To conclude, improvements in policies in both product and factor markets greatly improved the incentive environment of farmers for greater rice production. The formulation and effective execution of these policies were, however, dependent upon the general improvements in planning and implementation of development policies and programs during the second plan as has been argued in the previous chapter. It is doubtful to what extent these changes in policies would have occurred unless the planning process had been improved and the economic policy-making was based on good economic advice rather than on administrative expediency.

CHAPTER V

GREATER LOCAL AVAILABILITY OF HIGH PRODUCTIVITY INPUTS

This chapter provides evidence about the much greater local availability of high productivity inputs, which contributed to the major increase in rice production in East Pakistan during the Second plan period. It examines the second part of the second of the two inter-related hypotheses of the thesis that "much greater local availability of high productivity inputs from off-farm sources occurred during the Second plan period."

This chapter has four parts:

Section I provides some estimates of the average rates of return per acre of the new inputs, especially for fertilizer and irrigation water.

Section II analyzes the increased local availability of high productivity inputs during the Second plan.

Section III identifies and analyzes the principal factors contributing to the larger local availability of these inputs during the second plan.

A summary and conclusion follows.

High Productivity of the New Inputs

The new inputs especially fertilizer and irrigation water made available in East Pakistan during the second plan

from off-farm sources had a higher average return per acre over the locally available inputs. Some estimates of the higher average return of the new inputs is indicated below.

Fertilizer

Production response to fertilizer varies from crop to crop, area to area and even season to season depending on soil conditions and the combination of fertilizer used. Field trials have demonstrated these wide variations in rice crop response in East Pakistan. However, some average estimates for areas of East Pakistan have been made. Food and Agricultural Commission, for example, estimated in the early '60's that, given all other factors, nitrogenous fertilizer, gave 43 to 80% increase in rice yield in the Brahmaputra alluvium, Gangetic alluvium, while in Teesta Silt, Madhupur and Barind Tracts the combination of nitrogenous with phosphatic and potassic fertilizer increased rice yield per acre by 57 to 100%.¹

In terms of plan nutrients, the Harvard Advisory Group in 1964 estimated that on an average, each pound of

¹Govt. of Pakistan, Ministry of Food and Agriculture, Report of the Food and Agriculture Commission, published by Manager of Publication, Karachi, 1960, p. 75.

fertilizer nutrient increases cleaned rice production by about 6.8 lbs. in East Pakistan.¹

Survey results by crop cutting survey conducted by the Comilla Academy in the farmer's field show that a combination of Urea, phosphate and potash increased yields ranging from 22 to 69%. An FAO study in farmer's field in East Pakistan showed an average increase in yield ranging from 55 to 84%.²

How economic fertilizer use is depends on the cost of fertilizer and the price of rice, assuming all other factors constant. Roughly on the basis of an estimated response of the rice crop to fertilizer nutrients the gross return per unit of unsubsidized fertilizer is about 3.1; with 55% subsidy of fertilizer the gross return is 6.7 (Table 5.1)

Irrigation Water

The average return from irrigation water, particularly in the winter (Boro) rice season in East Pakistan consists largely in the extension of rice cultivation in areas which otherwise remain uncultivated. In addition,

¹Mears, L. and Hpu. U., "The Role of Fertilizer in Increasing the Growth of Production of Major Crops in East Paksitan during the Third Plan", December, 1964, Mimeo.

²Food and Agricultural Organization of the United Nations, Soil Fertility Investigations: Report to the Government of Pakistan, 1964, p. 57-58.

Table 5.1 Estimated Average Return for the Use of Fertilizer in Rice Production, East Pakistan

| Cost of Fertilizer per acre without subsidy a/ (Rs) | Expected increase in yield per acre (mds) b/ | Average price per maund of cleaned rice (Rs) | Additional income to the farmer per acre (Rs) | Gross Ratio without subsidy | Gross return ratio at 55% subsidy |
|---|--|--|---|-----------------------------|-----------------------------------|
| 65 | 7.5 | 27 | 202 | 3.1 | 6.7 |

a/ Based on 120 lbs. of plant nutrient per acre
Source: Academy for Rural Development Comilla "Use of Commercial Fertilizers in East Pakistan," March, 1962.

Estimated price of fertilizer (price per maund of nutrient) for 1962-63 was Rs 43. lmd = 82.27 lbs.

b/ Assumed response @ one lb. of plant nutrient yields five additional lb. of cleaned rice. Harvard Group's estimate adjusted downward.

improvements in yield are also obtained on small patches of land irrigated with insufficient water by indigenous methods.¹ A two cusec capacity low lift pump can irrigate about 60 acres of land.² One acre of irrigated land using fertilizers and other complimentary inputs yields 35 to 42 maunds of Boro paddy.³

Whether Boro rice cultivation is profitable to the farmers or not depends on the cost of irrigation and other complimentary inputs and the expected return from an acre of land. One estimate by an AID Irrigation Advisor in East Pakistan indicates that the cost-benefit ratio of Boro rice cultivation per acre with unsubsidized cost of irrigation water is 1:1.7, but with subsidized irrigation water, at 40% the ratio is 1:1.8 (Table 5.2). The ratio has probably increased a little with the rise in price of rice.

¹Government of Pakistan, Ministry of Food and Agriculture, Report of the Food and Agriculture Commission, 1960.

Most irrigation during the Second plan had been confined to the hoar areas where soil dries up quickly following recession of flood waters. Without irrigation, no crop can be grown in these areas. The Commission estimated that in the hoar areas of Mymensingh, Comilla and Sylhet, there are about 2,000,000 acres completely unproductive due to lack of irrigation water.

²Cusec = cubic feet per second.

³William E. Beach, "Technical Report Pump Irrigation", USAID, Dacca, East Pakistan, 1961-63, p. 12.

The Boro Paddy crop in the irrigation project yielded 40 1/2 maunds.

Table 5.2 Estimated Return from irrigation of winter (Boro) Rice in East Pakistan, 1961-63.

| Items | Cost and return per acre |
|---|--------------------------|
| a) Gross income (40.5 maund x Rs 12 per maund of Paddy) | Rs 486 |
| b) Cost of fertilizer, seed, rent, taxes, labor and bullocks per acre | Rs 213 <u>a/</u> |
| c) Cost of irrigation (Unsubsidized) | Rs 70 <u>b/</u> |
| Net Return | Rs 203 |

a/ Choudhury, S. D. and Ali Ashraf, Report on Survey of Cost of Production of Jute in East Pakistan 1958-1959, Pakistan Central Jute Committee, 1962. The authors estimate of cost per acre is based on normal hire charges of labor and bullocks. But the opportunity cost of these two items for those farmers who provide self-service and own bullocks of their own in the slack season of winter, will be much lower than the estimated cost per acre. Cost benefit ratio is expected to be higher for this reason.

b/ If 40% of the cost of irrigation is subsidized, the ratio is about 1:1.8.

Source: "Technical Report Pump Irrigation, Dacca, East Pakistan", 1963, Prepared by William E. Beach, Farm Irrigation Advisor, U. S.AID, Dacca, p. 12.

Plant Protection

Intensities of pest attack varies from year to year and locality to locality. According to Food and Agriculture Commission's estimate, if there is no serious outbreak, 10 to 15% of the annual potential yield of cultivated crops for the Province is destroyed by pest attack. In case of serious infestation, the loss of yield is much higher.¹ The Planning Commission estimated almost 20% increase in yield of foodgrains for the second plan from additional plant protection measures.

The rough estimates above indicate that both fertilizer and irrigation water have high returns per acre. Plant protection materials appear also to have had high return.

Greater Local Availability of High Productivity Inputs

To induce millions of illiterate rice farmers to adopt and use new inputs, their local availability has to be insured. The lack of local availability arises because of the poor transportation system and the inexperience of traditional merchants in handling chemical fertilizers and pumping sets. Pumps also present the serious additional problem of repair and spare parts.

¹Govt. of Pakistan, Ministry of Food and Agriculture, Report of the Food and Agriculture Commission, 1960, p. 78-79.

The attack of swarming caterpillar and earcutting caterpillar on rice caused damage to the extent of 50 to 60% of rice yield in East Pakistan in 1954 and 1955.

Since plant protection is provided for rice crops at

The inadequacy of roads in East Pakistan is illustrated by the fact that in 1960, the Province had a road area of only 5720 miles (the road mileage per square mile of land area is only .1)¹ Partly because of the low ratio of road mileage to land area, a large number of farm villages are not accessible by roads suitable to vehicular traffic during any season of the year. Even many of the local markets where the farmers sell their products and buy farm requisites are not located on roads suitable to any kind of vehicular traffic. There is heavy dependence on foot and country boats for getting to local markets or nearest police stations at a distance averaging 6.00 miles under the existing road conditions.² Though ox-cart, push-cart, horse-drawn cart, bicycle and rickshaws are seen in some parts of the rural areas, head-carry is the principal means of transporting goods from one place to another. One study estimated that between 15 to 30% of the pedestrians carry head-loads weighing 50 to 80 lbs.³

100% subsidy and there is no detailed data, calculation of cost and return per acre is difficult and is not therefore indicated.

¹Govt. of Pakistan, Finance Dept., Economic Survey of East Pakistan, 1963-64, p. 46-47.

²Ammann and Whitney, "Economic and Engineering Feasibility Report," Dacca-Aricha Road", Vol. 1, 1963, p. A-3.1.

³Transportation Study of East Pakistan, Department of Army Corps of Engineers USA, Vol. II, 1961, p. 268.

Even if the illiterate farmers can be convinced of the value of new inputs, absence of transportation facilities tended to make fertilizer and other new inputs unavailable locally.¹ Extension effort, however efficient, is likely to be ineffective unless the new inputs are readily available at the right time within the farmer's locality.

Though some attempt was made to make these inputs available to the farmers during the first plan, priority for increasing rice production at that time was placed on infrastructures, long gestation irrigation projects and on-farm inputs.² The importance of the local availability of new inputs was recognized and acted upon during the Second plan. Data are available for fertilizer, irrigation water and plant protection materials.

¹ Govt. of Pakistan, Central Statistical Office, National Sample Survey Division, Appendix A 1959.

A survey in 1959 indicated that 24% of the farmers in East Pakistan said that they do not use fertilizers because the fertilizer issuing authorities lived too far away from the villages, 35% said that Thana Stores where fertilizer was stocked, were located 6 to 7 miles away from farm villages.

² The infrastructures emphasized were drainage and embankment projects to prevent crop destruction from flood menace. The special extension (Village Agricultural and Industrial Development) program introduced in the first plan largely concentrated its extension efforts on reorganization of farmer's resources and more effective use of on-farm inputs. They had, however, little impact on rice production.

Fertilizer

During the Second plan period, the emphasis on making chemical fertilizers locally available to farmers for increasing crop production was stepped up considerably. By 1964-65 to 1959-60, fertilizer use, especially balanced fertilizer, expanded about four-fold (Table 5.3). In terms of plant nutrient use, the annual average was about 34,000 tons during the second five year plan against a first plan annual average of 6,466 tons; i.e., about six-fold increase.¹ Since 75% of the fertilizer is estimated to have been used on rice crop, fertilizer made a considerable contribution to the increase in rice yield.²

Irrigation Water

As indicated earlier, from a relatively greater reliance on water control through such devices as reclamation, embankment and drainage and on long-gestation irrigation projects (gravity flow) as the principal means of increasing crop production, a shift in strategy occurred in the second plan towards emphasizing quick availability of irrigation water, especially by low lift

¹Mears, Leon and Hpu, U. "The role of fertilizer in increasing the growth rate of production of major crops in East Pakistan during the third plan." Mimeo, 1964 Table 5.

²Rashid, H. A. "Outline of a Proposed strategy for increasing agricultural growth during the third plan period", Mimeo, November, 1964.

Table 5.3 Fertilizer Use in East Pakistan 1951-52 to 1964-65 Excluding Fertilizer Used for Tea (Estates) Tons

| Year | Nitrogenous
Fert. in terms
of Urea | Phosphatic
Fert. in terms
of T. S. P. | Potassic
Fert.
M. P. | Total |
|----------------------------|--|---|----------------------------|---------|
| <u>Pre-plan
period</u> | | | | |
| 1951-52 | 1,349 | - | - | 1,349 |
| 1952-53 | 1,610 | - | - | 1,610 |
| 1953-54 | 3,172 | - | - | 3,172 |
| 1954-55 | 4,545 | - | - | 4,545 |
| <u>1st Plan
period</u> | | | | |
| 1955-56 | 834 | - | - | 834 |
| 1956-57 | 8,041 | - | - | 8,041 |
| 1957-58 | 9,251 | 817 | - | 10,068 |
| 1958-59 | 12,255 | 508 | - | 12,763 |
| 1959-60 | 22,979 | 2,150 | - | 25,129 |
| <u>2nd Plan
period</u> | | | | |
| 1960-61 | 38,474 | 8,155 | 1,000 | 47,629 |
| 1961-62 | 38,961 | 6,788 | 1,067 | 46,816 |
| 1962-63 | 41,929 | 3,446 | 1,407 | 46,782 |
| 1963-64 | 75,230 | 23,182 | 3,418 | 101,830 |
| 1964-65 | 71,100 | 19,144 | 3,314 | 93,558 |
| (Estimate) | | | | |

Source: Government of East Pakistan, Unpublished Report, (Mimeo,) Planning Department, Undated.

pumps. This was evident from the increase in the number of low lift pumps and the area irrigated (Table 5.4). For the five years of the second plan, an additional area of about 100,000 acres over the area irrigated by the end of the first plan was irrigated by low lift pumps. Approximately 80 to 85% of the additional area under low lift pump irrigation went into rice production, especially winter rice. The low lift pumps operated by ADC brought about 16,000 to 17,000 acres of new area annually under winter rice (Boro). In addition, EPWAPDA'S flow irrigation projects irrigated annually about 12,000 acres of additional area for the five years of the second plan against none for the first plan.¹ Since 80% of the irrigated area was devoted to rice cultivation, there was an annual increase of about 9,600 acres under rice. The annual increase of area under winter (Boro) rice by the end of the second plan (1964-65 level) over the end of the first plan (1959-60 level) was about 25,000 to 30,000 acres.²

¹Govt. of East Pakistan, Planning Department, "Working Paper for the First Meeting of the Agricultural Policy Committee," Mimeo, Early 1967. Most of the area brought under rice is a net addition in the sense that the area under other crops have not been greatly affected.

²Falcon, W. P. and Gotsch, C. H., "Agricultural Development in Pakistan; Lessons from Second Five Year Plan Period" harvard University Center for International Affairs, 1966.

Table 5.4 Low Lift Pumps and Area Irrigated During
the First and Second Plan (1955-1965)
East Pakistan

| Year | No. of
pumps <u>1/</u> | Cusecs
per pump | Acre per
Cusec | Acreage
under
Irrigation |
|-----------------|---------------------------|--------------------|-------------------|--------------------------------|
| <u>1st Plan</u> | | | | |
| 1955-56 | 65 | N.A. | N.A. | 2,353 |
| 1956-57 | 140 | N.A. | N.A. | 7,705 |
| 1957-58 | 523 | N.A. | N.A. | 27,104 |
| 1958-59 | 772 | N.A. | N.A. | 29,669 |
| 1959-60 | 1,130 | N.A. | N.A. | 48,530 |
| <u>2nd Plan</u> | | | | |
| 1960-61 | 1,267 | N.A. | N.A. | 64,528 |
| 1961-62 | 1,543 | N.A. | N.A. | 98,163 |
| 1962-63 | 2,024 | 1.70 | 38.5 | 133,043 |
| 1963-64 | 2,456 | 1.85 | 34.1 | 156,281 |
| 1964-65 | 2,238 | 1.90 | 34.1 | 131,000 |

1/This is a net figure of pumps in operation.

Source: Hendry, J. B. and Hpu. U. "East Pakistan Agriculture during the third plan. Estimates of Possible Performance for selected major crops," Mimeo, July, 1964.

It is, therefore, clear from the data that the major part of the increase in winter (Boro) rice production due to increased acreage came from irrigation projects. The residual increase in acreage under Boro rice probably resulted from autonomous factors such as expansion of indigenous irrigation methods or other unexplainable factors.

Plant Protection

Plant protection program in East Pakistan was considerably stepped up during the second plan. By the end of second plan about 4.7 million acres of field crops (about 11.5% of the cropped area) were treated with plant protection preventive and/or curative measures against .43 million acres by the end of the first plan; i.e., over 10-fold increase. (Table 5.5)

Official reports of the Directorate of Agriculture indicate that about 75% of the plant protection protection service was applied to only rice crop.¹ Because of the coverage of a much larger area, it can be assumed that rice crop yields increased somewhat during the second plan due to expanded plant protection service.

¹Govt. of East Pakistan, Directorate of Agriculture; Dept. of Plant Protection, "Monthly Progress Report" 1960-65.

Table 5.5 Field Crops Treated with Plant Protection Measures (1959-60 to 1964-65). a/

| Years | (Thousand acres) |
|---------|------------------|
| 1959-60 | 427 |
| 1960-61 | 716 |
| 1961-62 | 919 |
| 1962-63 | 2,115 |
| 1963-64 | 2,811 |
| 1964-65 | 4,781 |

a/ Excludes aerial spraying

Source: Government of East Pakistan, Agricultural Directorate Dept. of Plant Protection, "Monthly Progress Reports," 1960-65.

Causes of Larger Local Availability

From our discussion in the preceding section it is clear that the programs for new input supplies were considerably expanded during the second plan period relative to the first plan period. In answering the question as to what major factors contributed to the sudden increase in the local availability of these inputs during the second plan, we list four major inter-related factors: (a) larger import and greater domestic production; (b) creation of a semi-autonomous institution;

(c) participation of private trade in input supply; (d) greater credit availability to finance the purchase of new inputs especially fertilizer.

Larger Import and Greater Domestic Production

Increased supply of most of the new inputs largely depended on import from abroad for which adequate foreign exchange either from Pakistan's own resources or from foreign aid and/or grant had to be arranged.¹

Relative to the first plan period, much larger investments in these inputs were made during the second plan. For instance, while the actual investment (over 60% in foreign exchange) in fertilizer for both East and West Pakistan during the first plan period, was only Rs 102.0 million, the actual investment in fertilizer for East Pakistan alone during the second plan, was Rs 112.56 million, a little higher than the total investment in fertilizer for both East and West Pakistan during the first plan.² (Table 5.6)

¹Fertilizer import for both East and West Pakistan is controlled by the Central Government. Separate import figures for East Pakistan are not available. During the first plan period, no separate allocation for fertilizer for East Pakistan was indicated in the plan nor in the subsequent evaluation reports.

²The proportion of investment in foreign exchange has been estimated on the basis of ADC's scheme on "procurement, distribution and sale of fertilizer" (1965-1970) Dacca, Dec., 1964.

Table 5.6 Investment in High Productivity Inputs during the First and Second Plan, East Pakistan (Million Rupees)

| Type of inputs | East Pakistan Government | Central Government |
|--|--------------------------|--------------------------|
| First Plan <u>a/</u>
1955-60) | | |
| 1. Fertilizer & Manures (no separate allocation shown) | | 102.0
(All Pakistan) |
| 2. Plant protection | .68 | 51.0
(All Pakistan) |
| 3. Mechanization (including low lift pump, tractor, etc. | 10.00 | 0 |
| Second Plan
(1960-65) <u>b/</u> | | |
| 1. Fertilizer & Manures | 112.56 | 0 |
| 2. Plant protection | 10.08 | 76.56
(East Pakistan) |
| 3. Mechanization (including low lift pump, tractor, tube-well, etc.) <u>c/</u> | 51.68 | 0 |

a/ Govt. of Pakistan, Planning Commission, Food and Agriculture Sector, Evaluation Report of the First Five Year Plan, 1955-56 to 1959-60, Feb., 1963.

b/ Govt. of Pakistan, Planning Commission, Evaluation of the Second Five Year Plan, 1966.

c/ This reflects primarily increases in low lift pumps as investment in tractors in the second plan more or less remained constant. The investment in tube wells was relatively small during the second plan.

Against an investment of only Rs .68 million for plant protection by the government of East Pakistan in the first plan, the actual investment (including foreign exchange component of about 80%) during the second plan was Rs 10.08 million.¹ The acceleration of investment in plant protection in East Pakistan is also evidenced by the fact that against an actual investment of Rs 51.00 million by the Central Government in both East and West Pakistan during the first plan, the actual investment of the Central Government for East Pakistan alone during the second plan was about one and a half times higher than the total investment for East and West Pakistan together during the first plan.²

For mechanization particularly in low lift power pumps, the investment in the second plan was much larger. For example, while the investment during the first plan of the Government of East Pakistan was only Rs 10.10 million (including foreign exchange component of 25 to 30%), the investment in mechanization during the second

¹The proportion of investment in foreign exchange in plant protection has been estimated on the basis of planning commission's scheme.

Plant Protection Program in Pakistan, Jan. 1962, No. 1-A2 submitted to "AID to Pakistan Consortium".

²A major part of the investment in plant protection was financed by "AID to Pakistan Consortium" to which a request for Rs 210 million for pesticides and equipments import was made for whole Pakistan. The Province-wide disbursement figures are not available.

plan was Rs 51.68 million, an increase of about five times.¹

From the evidence above, it is fairly clear that larger supply of these inputs which mostly depended on import, was greatly facilitated by more judicious and much larger allocation of foreign exchange and/or aid made under the 'Foreign Exchange Control Board' during the second plan instead of arbitrary and very inadequate allocation of foreign exchange for the import of new inputs during the first plan period.² (See Chapter III) A further evidence of the inadequate allocation of resources for agriculture sector during the first plan is indicated by the Food and Agriculture Commission's report.

At the top, the allocation of funds to the agricultural sector of the economy is not commensurate with public proclamation of its importance...planning is based on individual scheme and the need to meet immediate problems rather than on a total picture.....it leads to incomplete budgetary preparation.³

¹Proportion of foreign exchange in pump has been estimated on the basis of ADC's Scheme "Mechanized Cultivation and Power Pump Irrigation (1965-1970)", 1965.

²Government of Pakistan, Planning Commission, (Food and Agriculture Section), Evaluation Report of First Five Year Plan (1955-56 to 1959-60), Feb. 1963.

The report specifically refers to very inadequate allocation of foreign exchange for import of fertilizer and plant protection materials and equipments during the first plan.

³Govt. of Pakistan, Ministry of Food and Agriculture, Report of the Food and Agriculture Commission, 1960, p. 201.

Besides import, larger local availability of some of the new inputs such as fertilizer was due to procurement from domestic sources. Beginning from the early years of the second plan, ADC procured urea at the rate of 40 to 45 thousand tons annually from the only local fertilizer plant that came into production in East Pakistan since 1961.¹

Creation of a semi-autonomous institution - The Agricultural Development Corporation (ADC).

One of the major forces directly contributing to greater local availability of high productivity inputs was the organization of a well-coordinated supply line for procurement and distribution of new inputs by a semi-autonomous institution named "Agricultural Development Corporation, " (ADC). This institution with greater administrative and financial flexibilities to deal with new input supplies in a business-like manner was set up by the government of East Pakistan in October, 1961, following the recommendation of the Food and Agriculture Commission. The Commission which was set up in July, 1959 to investigate the problem of agricultural production in

¹A note from Mears, L. and Hpu U. (Harvard Advisors) to Qamrul Islam, Additional Chief Secretary, Govt. of E. Pakistan. "Production, use and export of urea in E. Pakistan", Aug. 6, 1964, p. 2, Table 1, ADC procured the following quantities of urea from domestic sources (tons) 1961-62, 8289, 1962-63, 64,759, 1963-64, 54,332.

the country had the services of a number of foreign experts from the World Bank, FAO and ICA. Among the noted experts were Professor Charles Hardin, Dr. C. E. Johnson, Dr. Gaitskell, and Dr. A. G. Black. Appendix 4 for the composition and terms of reference of the Commission.

The Commission, in a 500-page report unveiled, among others, some of the major disabilities affecting the efficient distribution of new inputs under the Department of Agriculture during the first plan.

The Commission's observation about the general attitude of the top civil servant officials towards agricultural development in particular during the first plan supports our discussion in Chapter III.

It is essential to appreciate how very recent is the sense of any urgency of increased agricultural production and how limited this still is to top level of the government officials.¹

The Commission identified a number of grave deficiencies in field execution of agricultural development program, especially in new input supply which clearly reflected the official apathy towards development activities during first plan period. There was absence of adequate administrative and financial flexibilities needed for

¹Govt. of Pakistan, Ministry of Food and Agriculture, Report of the Food and Agriculture Commission, Published by Manager of Publication, Karachi, Nov. 1960, p. 150.

efficient execution of projects, lack of coordination at all levels. Gross inefficiency prevailed in the management of supplies and services of new inputs. The Commission's findings will be relevant in this context.

In our tour in the country, farmers complained that they never saw the Agriculture Extension Staff or when they saw them, they had no great confidence in their ability to be of much use...Quite apart from their insufficient number, inadequate knowledge and poor status in terms of pay and facilities, the ability to be of service, even for the 'five firsts' is dependent on the availability of good quality fertilizer, seed, and plant protection materials in stores near enough to the farmer to induce him to use them. It was also dependent on the existence of an effective supply line to such stores which free front line men (extension staff) to spend their days where they ought to --in the farmer's field. At present, neither of these conditions exists.¹

The quality of storage at the thana level for new inputs and the inefficiency in management of stores beggars description.

In a typical example, one godown held seeds wisely raised on a bamboo platform but overrun with rats. In another, bags of sulphate of ammonium (fertilizer) were lying on the earthen floor, many had burst and much of the fertilizer was caked hard. Sides, roof and floor could not have kept out rain. In yet another, sulphate of ammonium was stored in a large leaky roofed dis-used cinema. It was said to be five years old stock transferred from some district which had overestimated its requirements. Most of the bags had burst and the fertilizer had caked hard... Such poor facilities may explain some of the failures in the field.²

¹Ibid., p. 55.

'Five first' referred to above were fertilizer, seed, plant protection, better cultivation techniques, and short and medium term credits which the Commission considered as the quickest means of increasing crop production.

²Ibid., p. 56.

A part of the problem in efficient management of supplies stemmed from the fact that under the then typical financial regulations of the government, there was complete absence of decentralization of authorities in development expenditures and as such unpredictable delay in ordering of supplies of new inputs. It was, therefore, not surprising that there was no fertilizer when it was needed most and its arrival was too late and in consequence was the wastage in storage.

The management of the seed multiplication farms was much more unsatisfactory. The principal problem here was also the absence of decentralization of budget which affected timely and efficient operation of improved seed production program. Faced with the frustrating budgetary difficulties and unable to produce the required quantities of rice seed in time,

the department of Agriculture had had to resort to buying seeds from selected farmers and even from the government food stocks and putting its labels on it even though it was not pure seed....The final results (in the field) not only discredits in the farmer's mind the whole concept of buying improved seeds, but takes a great deal of the time of the front line staff (extension) in the purchase, storage and sale of unsatisfactory materials.¹ The urgent field job goes by default.¹

¹Ibid. p. 160

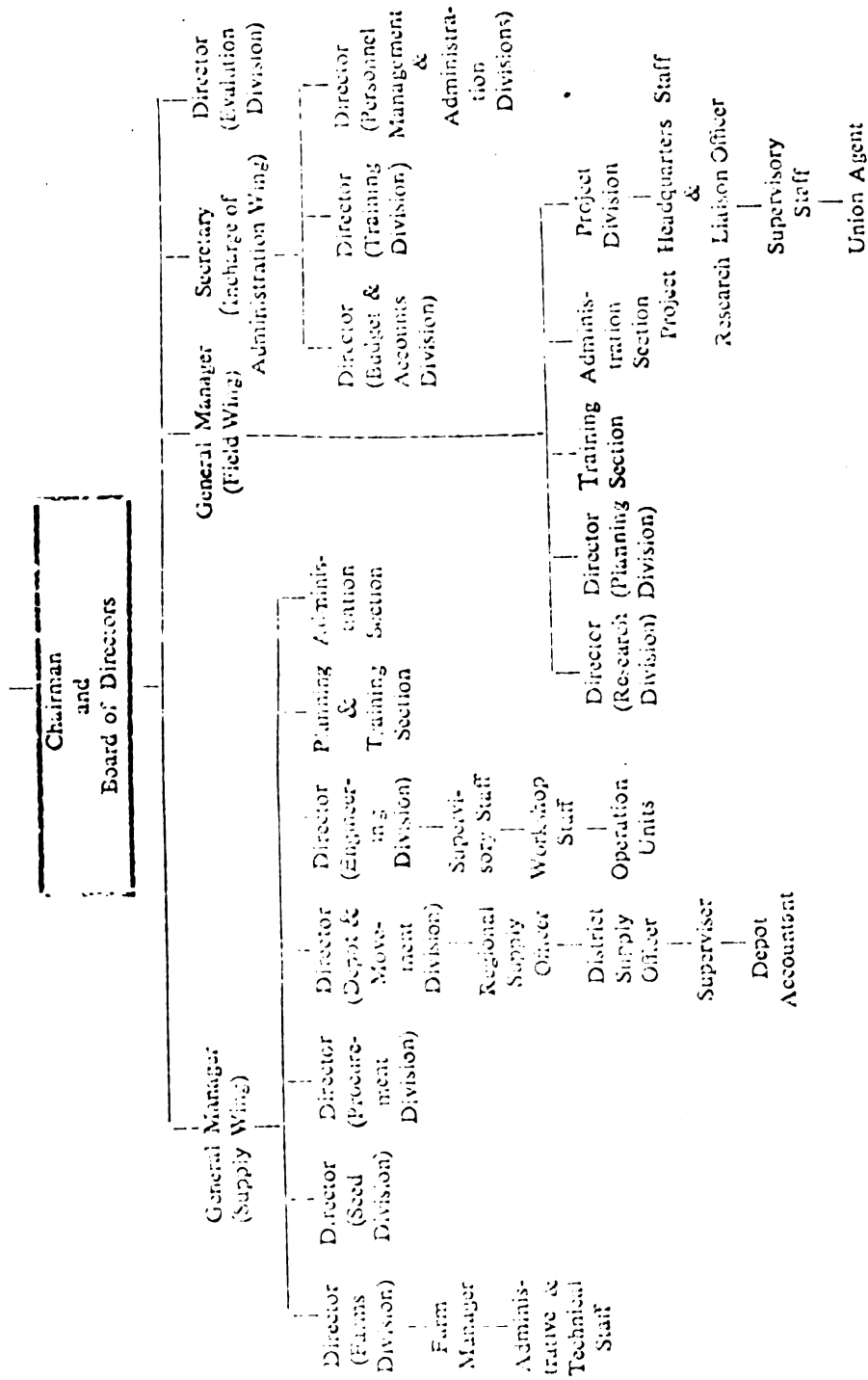
Similar shortcomings were also identified in providing plant protection service. Both materials and staff were grossly inadequate. As an instance, for an area of 50,000 acres, there were only three sprayers and one duster.¹ There was also complete absence of coordination at all levels.

The Commission came to the conclusion that to remedy these deficiencies in the field of new input supplies and services, a semi-autonomous business-type institution was needed. The Agricultural Development Corporation, patterned after the Commission's sketch, was the outcome. (Fig. 5.1) Except in five small districts, the extension staff of the Agricultural Directorate were relieved of supplies and services functions, which were transferred to the ADC. According to the changing policy of the government set forth in the second plan, the corporation's supply wing on a wholesale basis would produce, procure, transport, and distribute new inputs, but was to organize retail distribution either through cooperatives or the private trade.

Though the corporation's role in the short-run was in pioneering the distribution of new inputs, government policy as enunciated in the third plan clearly stated that long-run role of the corporation would be complementary to rather than competitive with the private trade. Thus the ADC has a shifting role of helping the private

¹Ibid., p. 160.

Fig. 5.1 Organizational Chart of the East Pakistan Agricultural Development Corporation, 1960.



trade to take on the new tasks of marketing the high productivity inputs at both the retail and wholesale levels.

The corporation had to overcome its initial organizational difficulties, particularly in recruiting and training personnel and in establishing a harmonious working relationship with the Department of Agriculture. Though there was some obvious delay in working out its program, preparing projects, and in eventual take-over of procurement and distribution functions, nevertheless, judged from the standpoint of over-all performance for a new organization, one will tend to agree that the corporation proved quite dynamic in execution of input supply programs during the second plan. A partial evidence of its achievements is provided by the dramatic increase in supplies and services of new inputs discussed earlier. For fertilizer distribution, a network of fertilizer stores throughout East Pakistan was constructed and private stores hired to organize a suitably coordinated supply line (Table 5.7). Such a network of storage proved quite essential to adjusting supplies according to demand and evening out of any abrupt movement in distribution and sale of fertilizer.

Thus by organizing a supply line, observing 'fertilizer weeks' and encouraging private dealers at the

Table 5.7 Capacity of Godowns by District for Storage of Fertilizers
ADC and Hired (Tons, December, 1964)

| District | Central Godowns | | District Godowns | | Hired Godowns trans-
ferred to PADC with
Fertilizer Scheme | | Total
Capacity
2/ |
|-------------------------|-----------------|-------------------|------------------|-------------------|--|-----------------------|-------------------------|
| | No. | Total
Capacity | No. | Total
Capacity | No. | Capacity
(1963) 1/ | |
| 1. Dacca | - | - | 4 | 2,000 | 25 | 16,000 | 18,000 |
| 2. Mymensingh | 2 | 4,000 | 4 | 3,500 | 35 | 9,995 | 17,495 |
| 3. Faridpur | - | - | 2 | 1,000 | 18 | 6,548 | 7,548 |
| 4. Chittagong | 2 | 4,000 | 7 | 6,000 | 19 | 1,938 | 11,938 |
| 5. Chittagong H. Tracts | - | - | 1 | 500 | - | - | 500 |
| 6. Noakhali | - | - | 2 | 1,000 | 14 | 4,200 | 5,200 |
| 7. Comilla | - | - | 6 | 4,500 | 23 | 6,200 | 10,700 |
| 8. Sylhet | - | - | 3 | 2,500 | 40 | 2,900 | 5,400 |
| 9. Rajshahi | - | - | 2 | 1,500 | 95 | 14,000 | 15,500 |
| 10. Dinajpur | 1 | 2,000 | 3 | 2,000 | 26 | 9,600 | 13,600 |
| 11. Rangpur | - | - | 2 | 1,000 | 44 | 7,200 | 8,200 |
| 12. Bogra | - | - | 3 | 2,500 | 24 | 6,800 | 9,300 |
| 13. Pabna | - | - | 3 | 1,500 | 20 | 2,550 | 4,050 |
| 14. Khulna | 2 | 4,000 | 2 | 1,000 | 4 | 2,375 | 7,375 |
| 15. Barisal | - | - | 3 | 1,500 | 4 | 1,100 | 2,600 |
| 16. Jessore | - | - | 3 | 2,500 | 14 | 3,900 | 6,400 |
| 17. Khustia | - | - | 2 | 1,500 | 14 | 2,360 | 3,860 |
| | 7 | 14,000 | 52 | 36,000 | 419 | 97,666 | 147,666 |

Source: Agricultural Development Corporation. 1/ More recent figures not available.

2/ In addition there are godowns of 36-ton capacity in 4,000 Unions. (These will be used for fertilizer storage only where sales through private dealers need to be supplemented.)

retail level, the corporation has been a major influence in bringing fertilizers to the farmer's door.¹

The Corporation's dynamism is also evident from the rapid expansion of its program of low lift pump irrigation. Not only were the number of pumps in operation increased but also the actual area irrigated expanded. Although a part of the credit for much larger field coverage in plant protection during the second plan was due to the plant protection staff of the Agricultural Directorate, the Corporation's role in timely procurement and supply of equipment and pesticide materials is undeniable.

A pertinent question arises here whether or not the newly created corporation could have accelerated its input supply programs, unless there were simultaneous improvements in decision-making on priorities, approval of and resource allocation for agricultural projects, especially those involving new inputs. In the light of the circumstances prevailing during the first plan period, it is doubtful that the corporation could have succeeded with its work during the second plan unless there had been central guidance, coordination and active cooperation

¹The Corporation observed 'Fertilizer Weeks' for 7 weeks from 11/8/1962 to 30.9.62 in order to promote uses and sale of fertilizers. The entire government machinery in the rural area was mobilized for publicity. Besides radio program, leaflets were dropped from aeroplanes throughout the Province.

on the part of the Central and East Pakistan Planning Organizations.

Participation of Private Trade

Fertilizer

Though ADC played the pioneering role in greatly improving the supply lines and ensuring a steady flow of fertilizer throughout the Province by timely procurement from local and overseas sources, the private trade greatly increased its participation in sale at the retail level during the second plan. The government policies as enunciated in the second plan to encourage private trade in fertilizer distribution were consistently executed.

There were no private fertilizer dealers during the first plan period when the Directorate of Agriculture used to distribute fertilizer. In contrast, by the middle of the second plan more than three thousand private retail distributors had been appointed by ADC.¹ (Table 5.8) An unofficial source reports that this number doubled by the end of the second plan.² One interesting feature of the

¹Out of the 18 districts, ADC has taken over distribution in 13 districts and the other 5 districts were to be taken over by the middle of the third plan.

²"Report on visit to East Pakistan" by Chairman, West Pakistan Agricultural Development Corporation, from 6th Nov. to 12 Nov., 1966. By Nov., 1966, the number of private fertilizer dealers increased to 7,562.

Table 5.8 A Comparison of the Number of Dealers, Fertilizer Sales, and Cropped Area by Districts, 1963-64, East Pakistan

| District | Number of Dealers Appointed | District Sales as a % of total Provincial Sales | Cropped Area as % of Provincial total |
|----------------------|-----------------------------|---|---------------------------------------|
| Chittagong | 697 | 13.2 | 3.6 |
| Bogra | 370 | 6.0 | 3.4 |
| Chittagong H. Tracts | --- | 0.7 | 1.4 |
| Dacca | 53 | 8.0 | 6.3 |
| Kushtia | 40 | 2.8 | 3.0 |
| Dinajpur | 28 | 4.4 | 4.4 |
| Rangpur | 222 | 6.1 | 8.3 |
| Jessore | 27 | 3.3 | 4.9 |
| Sylhet | 293 | 2.7 | 7.5 |
| Comilla | 486 | 8.7 | 7.4 |
| Barisal | --- | 3.2 | 9.0 |
| Rajshahi | 107 | 10.3 | 7.8 |
| Noakhali | 23 | 7.7 | 3.4 |
| Pabna | 18 | 2.8 | 3.9 |
| Mymensingh | 962 | 16.7 | 14.3 |
| Khulna | 27 | 2.1 | 4.3 |
| Faridpur | --- | 1.4 | 7.0 |
| Provincial Total | 3,353 | 100.0 | 100.0 |

Source: Mears, L. and Hpu, U., "The Role of fertilizer in increasing the growth rate of production of major crops in East Pakistan during the Third Plan," 1964 - Cropped area from Agricultural Directorate, statistical section, number of dealers and district sales from ADC.

private trade's growth was that the increase in the volume of sale of fertilizer in various districts in 1963-64, which with few minor exceptions, was a function of the number of private dealers appointed.

Supplying low lift pumping sets

Larger expansion of the low lift pump irrigation program by ADC during the second plan can, partly, be ascribed to the quick supply of pumping sets by the private companies. Private engineering companies imported parts for local assembling and sold them to the ADC for operation (Table 5.9).

Thus with a pragmatic approach to the role of public and private enterprise, the new input supply program was considerably expanded during the second plan.

Greater Credit Availability

Even if large quantities of fertilizer were available within easy reach of farmers, their large-scale sale would have been dampened without provision for increased credit, especially short-term credit. The total credit flow increased quite markedly during the second plan. (Table 5.10). The large Agricultural Development Bank's increase was mostly for medium and long-term purposes like purchase of bullocks, milching cows, and of farm implements and land development. Short-term credit flow

Table 5.9 Pumping Sets Sold to Agricultural Directorate and the Agricultural Development Cooperation^a/ up to May 1965

| Name of Companies
Selling Pumping Sets | Capacity of the
Pumping Sets | Number of Pumping
Sets Sold |
|---|---------------------------------|--------------------------------|
| Duetz-KSB | 2 Cusec | 3800 |
| Deutz-KSB | 3 " | 205 |
| Porsche-Beco | 2 " | 260 |
| Dormau Morris | 5 " | 250 |
| Harland-big | 5 " | 25 |
| Harland-medium | 3 " | 13 |
| Harland-small | 1.3 " | 50 |
| Beco | 1 " | 1150 |
| Ruston | 1 " | 150 |
| Ruston | 2 " | 3 |
| Melarea-Sigma | 5 " | 25 |
| Pelaphone Gwyne | 3 " | 3 |
| Total | | 5934 |

Source: ADC "Scheme for Mechanized Cultivational and Power Pump Irrigation in East Pakistan". 1965 Appendix I.

^a/ A high proportion of these pumps were supplied to ADC due to greater expansion of the ADC low lift pump irrigation program during the Second plan.

Table 5.10 Credit Flow in Agriculture in East Pakistan
1947-48 to 1963-64 (000 Rupees)

| EAST PAKISTAN | | | | | |
|---------------|-----------------------|----------------------|--------------------------------|-------------------------------------|---------|
| Years | Government
Taccavi | Primary
Societies | Multi-
purpose
Societies | Agricultural
Development
Bank | Total |
| 1947-48 | - | 1,973 | - | - | 1,973 |
| 1948-49 | - | 1,545 | - | - | 1,545 |
| 1949-50 | 3,843 | 937 | 731 | - | 5,511 |
| 1950-51 | 1,281 | 329 | 1,019 | - | 2,629 |
| 1951-52 | 5,168 | 831 | 3,013 | - | 9,012 |
| 1952-53 | 8,536 | 726 | 6,631 | 21 | 15,914 |
| 1953-54 | 3,508 | 231 | 792 | 673 | 5,204 |
| 1954-55 | 6,257 | 163 | 632 | 688 | 7,740 |
| 1955-56 | 1,124 | 175 | 777 | 817 | 2,893 |
| 1956-57 | 13,416 | 216 | 1,563 | 2,388 | 17,583 |
| 1957-58 | 4,296 | 149 | 44 | 7,985 | 12,474 |
| 1958-59 | 24,051 | 16,013* | N.A. | 11,276 | 51,340 |
| 1959-60 | 9,803 | 28,612* | N.A. | 21,743 | 60,158 |
| 1960-61 | 13,484 | 48,795* | N.A. | 42,741 | 105,020 |
| 1961-62 | 21,452 | 35,660 | N.A. | 44,488 | 101,600 |
| 1962-63 | 29,000 | N.A. | N.A. | 38,284 | 67,284 |
| 1963-64 | 38,448 | N.A. | N.A. | 40,324 | 78,772 |

* Inclusive of both the primary and multi-purpose societies loan figures.

N.A. Not available.

Sources: (1) The Pakistan Development Review, Spring 1963 issue,
(2) Department of Marketing Intelligence and Agricultural Statistics, Karachi, (3) Agricultural Development Bank of Pakistan, Karachi.

especially Government Taccavi loans, increased greatly during the second plan.¹ This was evident from the fact that from the first plan's annual average credit flow of Rs 10.5 million, the second plan's annual average credit flow of Government Taccavi credit increased to Rs 25.60 million.

Harvard Advisory Group estimated that about 75% of the sale of fertilizer in 1963-64 was financed by the Government Taccavi loan.² This credit had the advantage of being small in amount, easy in terms, and available in the rural areas.³

Summary and Conclusion

The data in this chapter support strongly the thesis that the much greater local availability of high productivity inputs particularly fertilizer, irrigation water and plant protection was a major cause of the increase in rice production in East Pakistan during the second plan.

Though great variation occurs from crop to crop

¹Government Taccavi loan - was originally meant for emergencies. Its scope was later expanded to include any short-term credit needs of the farmers.

²Mears, L. and Hpu U., "The role of fertilizer in increasing the growth rate of production of major crops in East Pakistan during the Third Plan," Mimeo, Dec. 1964.

³Govt. of East Pakistan, Agricultural Dept. "The Method of fertilizer distribution on loan", Mimeo, undated.

and area to area, rice yields, keeping all other factors constant, tend to be 40 to 60% higher as a result of balanced fertilizer use. The gross input-output ratio at 1962-63 prices unsubsidized from the use of fertilizer was estimated at 1:3.1. Irrigation water was especially important in bringing additional area under rice cultivation which, otherwise, remain completely unproductive during the winter dry season. The cost-benefit ratio for irrigation was estimated to be 1:1.7. Adequate plant protection is estimated to enable East Pakistan to save about 10 to 15% of the potential yield of the rice crop.

The poor transportation system in the rural areas of East Pakistan and the farmer's usual reluctance to undertake long-distance walks to get supplies made the assurance that the new inputs would be locally available of great importance.

Relative to the first plan period, much larger quantities of these high productivity inputs were made available in the rural areas during the second plan. As a result, fertilizer use, especially balanced fertilizer, increased about four-fold. Since about three-fourths of the fertilizer was used for the rice crop, fertilizer had a considerable impact on the improvement of rice yields. There was a net addition of about 160,000 acres under irrigation by low lift pump and flow irrigation program during the five years of the second plan. Since

80 to 85% of the area irrigated went into rice production, there was an annual increase of 25,000 to 26,000 acres in rice cultivation.

Plant protection coverage during the second plan increased greatly. About three-fourth of plant protection materials are estimated to have been used in rice crop.

The larger local availability of these inputs was due to several inter-related factors. First, much greater investment, especially in foreign exchange, was made in these inputs during the second plan. Since most of these inputs had to be imported, larger imports were a major factor contributing to the increased supply. Procurement of fertilizer from domestic sources was also an additional factor to the increased supply.

Secondly, the Agricultural Development Corporation, a semi-autonomous institution, was set up in the early part of the second plan to deal with procurement and the wholesale distribution of new inputs. It was a major force in organizing a coordinated supply line. The Corporation's larger procurement and distribution programs during the second plan, were greatly facilitated by the Government's general improvement in decision-making on priorities, project approval, budgetary allocation for the agricultural development program in general, and the input supply program in particular. Significant change in policies for improving the farmer's incentive in both product and factor

markets was also an additional factor for the expansion of Corporation's input distribution program.

Thirdly, the participation of private trade in retail distribution of fertilizers and in the supplying of pumping sets partly contributed to the larger expansion of fertilizer and irrigation programs during the second plan.

Fourthly, the availability of larger amounts of short-term credits, especially Government Taccavi loans during the second plan facilitated increased fertilizer sales.

To conclude, though there might have been autonomous factors, major part of the increase in rice production during the second plan in East Pakistan can, however, be explained by the larger availability of high productivity inputs which had direct bearing on either increase in yield or increases in acreage. Improvement in the planning process had an indirect but vital role in the expansion of the input supply program and the change in economic policies on which the program was heavily dependent. Papanek rightly points out:

The economic performance of Pakistan in the last few years has been primarily the result of good economic management--sensible policies and plans.¹

¹Papanek, G. F. Pakistan's Development; Social Goals and Private Incentives, Harvard University Press, 1967, Centre for International Affairs.

CHAPTER VI

SUMMARY AND IMPLICATIONS

Summary

Current professional thinking on transforming traditional agriculture centers around the major strategies of high productivity inputs, farm incentives, and institutional development. The achievement of the transformation is admittedly complex and involves a sequence of strategies and programs. Execution of these strategies through the use of a national plan has been adopted in many developing countries. The experience of East Pakistan provides a very valuable example of planning agricultural development.

In East Pakistan rice production increased dramatically during the second five year plan (1959-60 to 1964-65). The average was 30 percent higher than during the previous five years. The higher production was the result of increases in both area and yield.

The purpose of this study was to explore the reasons underlying this major increase in rice production in East Pakistan during the last several years. Specifically, this study examined two inter-related hypotheses. It is argued that, to a large extent, this increase in rice production was the result of both (1) improvements in the planning process, and (2) a much better agricultural

development strategy. In the following paragraphs the conclusions of this study are summarized with particular attention being paid to the interactions between the hypotheses.

The first hypothesis states that the major improvements in the planning process which occurred just before and early in the second plan period resulted in more effective implementation of development policies and programs including particularly those for increasing rice production in East Pakistan.

The improvements in planning and implementation between the first and second plan periods were considered in detail in Chapter III using six criteria. A summary of this analysis is as follows:

The background environment of planning. Evidence showed that during the second plan relative to the first plan period, the political leaders of Pakistan gave much higher priority to economic development and took a number of measures for implementing the development policies and programs as embodied in the plan. In particular, the authority and position of the planning agencies at both central and provincial levels were raised. Also, the planning agencies were given access and effective participation in major economic decisions. The planning agencies were given, in addition, much greater responsibilities in formulating and coordinating economic policies

from the beginning of the second plan. Thus, economic policies were formulated in much greater conformity with the objectives and priorities in the plan.

As a result of all these and other factors, the second plan was implemented on schedule and in accordance with the priorities and policies laid down in the plan.

Participation of the executing agencies in plan formulation. Relative to the first plan period, the formulation of the second plan, particularly for the agricultural sector in East Pakistan, was by and large, based on proposals and programs which came from the executing agencies. This much greater participation by the executing agencies in plan preparation gave much greater realism to the second plan programs and particularly helped make possible much more effective implementation.

The speed and effectiveness in preparation and approval of development projects and policies. The effectiveness in implementing the second plan was due, to a considerable degree, to a series of administrative reforms which were undertaken at the beginning of the second plan to help expedite decision making on development questions. Important innovations included setting up of suitably staffed 'planning cells' in all the government agencies dealing with development programs and policies and special training arrangements in planning and development for the civil servants. These measures helped improve development administration considerably.

Decision making on sanctioning of development projects and policies by the planning agencies with streamlined procedures not only improved the programming standards but also reduced project execution delays during the second plan.

Observation of plan priorities. Important budgetary reforms were introduced immediately prior to the beginning of the second plan with a view to improving implementation. Of particular significance was the preparation of and more objective allocation of development funds in the annual development budgets by the planning agencies. More significant was the introduction of foreign exchange budgeting. Much superior management and allocation of scarce foreign exchange for development purposes by the planning agencies helped assure observance of the plan priorities. These improvements in budgetary practices had a particularly significant bearing on the more effective execution of the program of imported farm input supplies to increase agricultural production in East Pakistan during the second plan.

The use of technical assistance in planning and implementation. Improved control and coordination of technical assistance which was assigned to the planning agencies from the beginning of the second plan resulted in much more effective utilization of the services of foreign technical experts. An important result was the

considerably improved professional competence in the planning agencies. Notable evidence of this was found in the much superior documentation of external aid requests made by the planning agencies to the aid-giving organizations during the second plan. This enabled Pakistan to receive a much larger flow of external assistance during the second plan, which was vital for the implementation of the plan in general and the agricultural input supply program in East Pakistan in particular.

The utilization of expenditure in the plan. The cumulative effect of these improvements in the planning process during the second plan was, in part, reflected in the dramatic increase in 'capital absorption capacity' particularly in the East Pakistan agricultural sector. Although the size of the public sector investment in the second plan was twice as large as in the first plan in East Pakistan, utilization was about 92 percent of the stipulated expenditure in the second plan as against only 37 percent during the first plan. In the agricultural sector about 77 percent of the public sector planned expenditure was utilized during the second plan against only 32 percent during the first plan. This amounted to a four-fold increase in public investment in agriculture during the second plan in East Pakistan.

This spectacular increase in the ability of government to invest made it possible to effectively execute many

of the agricultural development programs including those of high productivity inputs.

The second hypothesis of this thesis posits that major changes in economic policies occurred during the second plan along with the improvements in the planning process. Specifically, Chapters IV and V examined the hypothesis that the growth in rice production during the second plan was largely the result of the following two major changes in agricultural development strategy:

(1) Significant changes in policies in product and factor markets were made which resulted in increased farm incentives. (2) Much greater local availability of high productivity inputs from off-farm sources occurred.

Policy changes in product markets increased and stabilized rice prices and policy changes in factor markets held input prices at a consistently low subsidized level during the second plan. The result was an improved incentive environment for farmers to increase rice production (Chapter IV). More specifically, in product markets compulsory procurement of rice from farmers was removed in 1958, an increase in the floor price of rice occurred and the private sector was given encouragement by the withdrawal of restrictions on rice marketing. These changed policies, among others, tended to restore rice prices to more normal equilibrium levels. In addition,

buffer stock operations aided by larger imports of food grains especially through P. L. 480 program aided further in stabilizing the rice price. The higher and more stable rice price has lessened risks of investment in high productivity inputs and thereby provided greater incentives to rice farmers during the second plan.

In factor markets the pursuit of a more consistent, subsidized input pricing policy, especially for the crucial inputs of fertilizer and irrigation water kept new input costs low during the second plan. Thus, the cost-price relationships improved appreciably for farmers during the second plan. One estimate indicates an improvement in returns per unit of fertilizer from 4.8 to 6.7. Price policies in the product and factor markets appear, therefore, to have been major factors in the rapid increase of rice production during the second plan.

An improved incentive environment is not sufficient for increased rice production if the new high productivity inputs upon which the increased production depends are not available to farmers. Evidence on the increased local availability of high productivity inputs and the ways in which these increased flows of inputs were achieved was shown in Chapter V.

There was a four-fold increase in flow of chemical fertilizer to local levels during the second plan period. Considerable increase in an area under rice occurred

during the second plan due to both much larger use of small low lift pumps and gravity flow irrigation projects. Plant protection activity also increased very greatly. These three inputs appear to be generally highly productive in rice production in East Pakistan.

The underlying reasons for the much larger local availability of these high productivity inputs in the second plan were (1) much greater allocation of foreign exchange to import these new inputs, (2) the setting up of a semi-autonomous institution to arrange the procurement and distribution of the new inputs, (3) much larger participation by private trade in retail distribution of the new inputs particularly fertilizer, and (4) greater short-term credit availability to finance purchase of these inputs.

Thus, it is clear that the high productivity inputs coupled with greater farm incentives were the important factors for major increase in rice production. The stagnant production trend in rice prior to the second plan emphasizes the point that the improved strategy was a necessary condition for growth in rice production during the second plan in East Pakistan.

Turning to the inter-relationships between the hypotheses, the central argument is that major improvements in planning and implementation, on the one hand, and major changes in agricultural development strategy, on the other hand, were each necessary but not sufficient

conditions for the major increase in rice production in East Pakistan during the second plan period. The necessity for significant change in both these areas appeared at many points in this study. Four of the major inter-relations are emphasized in this summary.

First, the increased 'absorption capacity for capital' was quite significant for the expanded input supply program. This increased 'absorption capacity' was caused, among others by the improvements in decision making at all the vital points of the government where decisions on development were taken. For example, much stronger political support for timely implementation of the plan, the political leaders' directive to make most executing decisions based on the priorities and objectives of the plan, much greater cooperation by the civil servants for dealing with development matters. But perhaps most significant was the effectiveness of the planning agencies in implementation. This was evident from their active participation in quick decision making on sanctioning of development projects and policies, in helping assure allocation of adequate development funds especially foreign exchange in accordance with priorities of the plan. All of these elements of improvement were necessary for more effective execution of agricultural programs including the new input supply program.

Secondly, of particular significance was the inter-relation between the changes in economic policies and the improvements in the planning process. Clear examples were the changing price policies for greater farm incentives and for encouraging the private sector participation, especially in the retail distribution of fertilizer. Evidence in this study indicates that it would have been fairly difficult to change these policies if the planning group had not had easy access to the policy makers and political leaders. Much more access and greater influence of the planning group to the economic policy makers made it easier to reorient the civil servants towards market mechanism and private incentives.

It is, therefore, clear that the effective execution of the better agricultural development strategies in the second plan was, to a large extent, dependent upon the improvements in the planning process. The argument is strengthened further by the situation prevailing during the first plan. From the evidence regarding the planning and implementation situations in the first plan, it is highly doubtful to what extent these changing development strategies could have been executed if the same situation had persisted.

Thirdly, the role of the streamlined semi-autonomous institution for organizing the procurement and distribution

of new inputs during the second plan period is not discounted. But the executing efficiency of this institution besides general improvements in decision making and larger allocation of financial resources especially for the import of high productivity inputs, was considerably enhanced by the provisions for other supporting facilities such as a network of storage for fertilizer, training institutes for the new institution's staff, workshop facilities for the low lift pump irrigation program and sound policy directives particularly for exploring private dealers at retail level for fertilizer.

Fourthly, the need for a sense of urgency for increasing food production in view of the critical role of larger food production in the early stage of economic development process which was more adequately analyzed and emphasized by the planning group, especially in the beginning of the second plan, was also a significant factor contributing to more effective execution of the strategies.

Implications

A number of significant implications stand out from this study.

(1) Although there is general agreement that high productivity inputs and increased farm incentives are essential for accelerating agricultural growth, the serious

problems encountered in effective implementation of these strategies are not always fully recognized. East Pakistan's experience emphasizes the necessity for an improved planning process. More specifically, for greater effectiveness, strong political support of planning and its implementation is required. Such a strong support is possible only from a stable government irrespective of the kind and form of the government. Effective participation of the planning agencies in implementation of the plan is particularly needed in order to assure that annual development budgets and administrative policies follow the order, priority and objectives set forth in the plan. Also, Pakistan has shown that specialized planning agencies supported by strong political leadership can exercise significant influence in establishing and enforcing improved operating procedures for efficient decision making which is essential for effective implementation.

(2) The study demonstrates the particular need to integrate planning and economic policy making and the roles that planners can play in influencing economic policies. To be effective, the planners need to have access to policy makers so that they may help assure the coordination and implementation of necessary economic policies to achieve the priorities and objectives set out in the plan. The unsatisfactory results of separating planning and economic policies was clear in the experience

under the first plan, particularly in East Pakistan.

(3) The experience in East Pakistan particularly brings out the importance of viewing planning in a broader context rather than merely as the job of few professionals which is over once an impressive plan document has been prepared. Instead, to be productive, planning must be viewed as a developmental function of government at all levels of administration where decision making on economic growth is involved. The role of the civil servants in implementation is unquestionable, but for efficient and objective decision making, there is the need for professional participation. A teamwork of professionals and civil servant administrators is, therefore, an essential requirement for effective planning and implementation. East Pakistan's experience clearly indicates the undesirability of locating a professional planning agency outside the civil service establishment and as such outside the operational process of decision making in the government or of having a Development Board composed only of civil servants.

(4) The significance of budgetary reforms particularly including the integration of annual development budgets with the administrative budgets was clearly demonstrated in this study. By doing so, foresight and efficiency in the allocation of public expenditure, in accordance with the priorities in the plan were more nearly ensured.

(5) Of particular significance to the effective implementation of a plan is the adoption of necessary associated economic policies. As Lewis points out, sound economic policies are more important to economic development than mere expenditure of money by the government. Policies which encourage private investment to come forward in the right magnitude in right places is of particular importance.¹ East Pakistan's experience provides an example of executing such policies in a less-developed agriculture where, the private trades are usually little involved in new input supplies for agricultural development. Given appropriate government policies, it is possible to obtain the active participation of the private trades in the distribution of new inputs for agricultural development in the emerging nations.

(6) Another important lesson learned from the experience in East Pakistan pertains to the organizational strategy which may be necessary for effective execution of a major new input supply program. A semi-autonomous organization with adequate administrative and financial flexibilities and operational autonomy, but within the broad policy framework of the government was seen to be

¹Lewis, W. A. "On Assessing a Development Plan." Economic Bulletin, (Ghana), Vol. 3, No. 6,7. June-July 1959.

capable of executing input supply programs much more effectively than regular government departments which are often characterized by many checks and balances, administrative inflexibilities and rigid financial and personnel regulations.

(7) Of great significance is the fact that many of the high productivity inputs have been and are being made available in East Pakistan with little information and knowledge about the farmer's attitude, beliefs, and values or knowledge about them, or about the returns obtained from the new inputs. In the interest of more effective planning and implementation in the future, much more information is needed. Such a research need is emphasized by some evidences in regard to farmer's beliefs and values about the use of irrigation water and half-acquired knowledge and poor experience about fertilizer in East Pakistan. For example, a Comilla study reported that some farmers believed that water is a free gift of God and as such they were unwilling to pay for irrigation water.¹ Another study by the Academy documented the farmer's belief about the harmful effects of fertilizer use on soil.²

¹Pakistan Academy for Rural Development, Comilla. Farmers' interests, knowledge and experience in winter irrigation - a survey of two Comilla villages. 1966.

²Pakistan Academy for Rural Development, Comilla. "Use of Commercial Fertilizer in East Pakistan - An Evaluation Survey for ADC" , March, 1963.

From a similar point of view the farm management type studies of the kind stressed recently by Schiekele would make possible considerable improvement in the more efficient allocation of new inputs in East Pakistan.¹

(8) An important implication drawn from this study stems from the fact that relatively greater emphasis is now being placed on the factor market development with little information and knowledge about the working of the product market. The planners presumption that market will take care of itself in view of the current problems of food shortage, may have short term validity. The possibilities of long-run potential agricultural marketing problems need to be recognized and acted upon. More explicitly, from the trend of the already heavy emphasis on high productivity inputs coupled with the expected widespread adoption of the new rice varieties, we may expect large increases in output with all the associated problems of surplus and price depression. At present there is little understanding of the marketing process of rice in East Pakistan at both retail and wholesale levels or the potential for rice exports. In the interest of future effective planning, it is time to do research on rice marketing.

¹Schiekele, Reiner, "Farm Management Research for Planning Agricultural Development." December 1966.

(9) Finally in the interest of greater efficiency and more effective private trade's operation, particularly in fertilizer distribution at the local level, the further reduction of price controls on fertilizer needs to be considered. As soon as an adequate fertilizer supply can be assured and a more competitive market structure can be built, there would be little justification for the continuation of fertilizer price controls.

ADC should also explore the use of the private trade in new seed distribution in the same way as was done in case of fertilizer.

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APPENDIX 1

Central and East Pakistan Planning and Implementation
Agencies in Order of Establishment
During the First and Second Plan

I. First Plan Period

A. Central Planning and Implementation Agencies

| <u>No.</u> | <u>Agency</u> | <u>Period</u> | <u>Purpose</u> |
|------------|-----------------------------------|---------------|--|
| 1 | National Planning Board | 1953-1958 | Prepared the first plan. |
| 2. | Planning Commission | 1951-1957 | Reviewed and sanctioned projects before submission to Economic Committee of Cabinet. |
| 3. | National Economic Council | 1956-1956 | Created after adoption of Constitution of 1956 as the Supreme Economic Body in Pakistan. Approved the first plan. |
| 4. | Economic Committee of Cabinet | 1956-1958 | Approved development projects. |
| 5. | Central Development Working Party | 1957 onward | Replaced No. 2 for reviewing and sanctioning of projects before submission to higher authorities for final approval. |

B. East Pakistan and Implementation Agencies

| | | | |
|----|-------------------|-----------|--|
| 6. | Planning Board | 1957-1958 | A non-civil service planning agency outside civil service. |
| 7. | Development Board | 1948-1960 | Concerned with implementation and sanctioning of projects. |

APPENDIX 1 (Cont.)

II. Second Plan Period

A. Central Planning and Implementation Agencies

| <u>No.</u> | <u>Agency</u> | <u>Period</u> | <u>Purpose</u> |
|------------|--|---------------|---|
| 8 | Planning Commission | 1958 onward | Replaced the National Planning Board (No. 1). Prepared the second plan. |
| 9 | Economic Council | 1959-1962 | Established by the military government as the Supreme Economic Body (in place of No. 3). |
| 10 | National Economic Council | 1962 onward | The successor of Economic Council of 1959-62 (No. 9) |
| 11 | Economic Committee of Cabinet | 1959-1962 | Created as an associate of Economic Council (No. 9) for approval of projects and supervision of implementation. |
| 12 | Executive Committee of the National Economic Council | 1962- onward | Successor of Economic Committee of Cabinet (No. 11). |
| 13 | Governor's Conference | 1958- onward | Highest Policy-Making Body. |
| 14 | Planning Division | 1961- onward | The alternate name of Planning Commission after it was moved to the President's Secretariat. |
| 15 | Project Division | 1959-1961 | Central Govt. progress reporting Agency. Later transferred its functions to the Provinces. |

APPENDIX 1 (Cont.)

B. East Pakistan Planning and Implementation Agencies

| <u>No.</u> | <u>Agency</u> | <u>Period</u> | <u>Purpose</u> |
|------------|-------------------------------|-----------------|---|
| 16 | Planning Board | 1963-
onward | Successor of earlier Planning Board (No. 6), but within the civil service system. |
| 17. | Provincial Planning Authority | 1960-
onward | Successor of earlier Development Board (No. 7). Concerned only with implementation. |

APPENDIX 2

Functions of the National Economic Council of Pakistan in 1962

1. To review the over-all economic position of Pakistan.
2. To formulate plans with respect to financial, commercial and economic policies and the economic development of Pakistan.
3. To approve:
 - (a) The Five Year Plan
 - (b) The Annual Development Program
 - (c) The provincial development schemes in the public sector costing more than Rs .2 million recurring or Rs 5 million non-recurring.
 - (d) The central development schemes in the public sector costing more than Rs. 5 million recurring or Rs .25 million non-recurring.
 - (e) All non-plan schemes
 - (f) Schemes in the private sector.
4. To ensure that disparities between the provinces and between different areas within a province in relation to income per capita are removed and that the resources of Pakistan (including resources in foreign exchange) are used and allocated in such a manner as to remove that disparity in the shortest possible time.
5. To appoint such committees or bodies of experts as may be necessary to assist the council in the performance of its functions.

6. To submit every year to the National Assembly under Article 145 (8) of the Constitution a report on the results obtained and the progress made in the achievement of the object referred to at item 4 above (constitution).

Source: Government of Pakistan, Planning Commission - Charters of (1) The National Economic Council; (2) The Executive Committee of the National Economic Council; (3) The Planning Commission, 1964.

APPENDIX 3

Functions of the Planning Commission of the Government of Pakistan, 1961

1. To prepare national plans at periodic intervals for the economic and social development of the country.
2. To make assessments from time to time of the human and material resources of the country.
3. To recommend such adjustments in the national plan as may be necessary in view of the changing economic situation.
4. To stimulate and where necessary, initiate preparation of development program and projects; examine and advise on all such programs and projects with a view to deciding whether they conform to national objectives and in general, whether they provide for the most efficient use of available resources.
5. To coordinate the examination of development program and projects in consultation with the appropriate authorities and to secure the approval of the central government to acceptable programs and projects.
6. To prepare the annual development program within the framework of the national plan and on a determination of priorities, to propose the allocation of resources.
7. To analyse and make recommendations on important economic policies and programs.

APPENDIX 3 (Cont.)

8. To advise the central and provincial governments wherever, so required, on economic policies and problems.
9. To prepare data for the use of aid giving countries, economic appraisal and evaluation.
10. To undertake and promote eco-research and to initiate surveys and investigations needed to support effective planning and development.
11. To progress the implementation of approved development projects, particularly aided projects.
12. To devise, obtain, collate and distribute to all concerned reports on the progress of projects and to prepare periodic digests of these reports for the information of the government.
13. To measure performance against promise especially by comparing actual with estimated costs of projects.
14. To identify the causes of delays and difficulties if any, in the implementation of projects and to promote specific solutions.
15. To advise on the nature of the machinery for securing the efficient execution of the national plan.

Source: Government of Pakistan, Planning Commission - Charters of (1) The National Economic Council; (2) The Executive Committee of the National Economic Council; (3) The Planning Commission, 1964.

APPENDIX 4

Terms of Reference of the
Food and Agriculture Commission

The following are the terms of reference of the Commission:

- I. The Commission will make a thorough study and evaluation of past and current development activities and methods in the field of agriculture and of the incentives which cultivators have to increase production, for the purpose of determining the principal reasons which have accounted for the rather slow progress in production, particularly of food crops.
- II. The Commission will fix the production goals for food-grains and major non-food crops, which should be achieved in the light of their comparative net value per acre in terms of both rupees and of foreign exchange earned or saved, their comparative claims on limited water supply and the development of the market for them at home and abroad.
- III. In the light of its evaluation of past experience and its determination of desirable production targets, the Commission will recommend:
 - (i) Any changes in the orientation and focus of the agricultural development effort it may consider advisable.
 - (ii) Any measure it considers necessary to strengthen the organization and personnel charged with responsibility for agricultural development at the Centre and the Provinces, including any redefinition of the respective responsibilities of the Center and the Provinces.
 - (iii) Any measures it considers necessary to provide cultivators with greater incentives and means to raise their output and income, including those pertaining to taxation, pricing and procurement policies and methods, subsidies, credit and marketing.
 - (iv) Any improvement in agricultural education and research and, above all, in the methods and organization for transmitting the knowledge of

better agricultural practices to the cultivators through the agricultural Extension services, Village AID Organization, etc.

(v) Any revisions in policies and methods of colonising new lands and maximising production thereon.

- IV. The Commission shall pay particular attention to ways and means of obtaining more effective government administration and organization of the agricultural effort and achieving better management of the land by organizing the cultivators into cooperatives or other forms of profit-sharing schemes for the carrying out of certain common activities.
- V. The Commission shall make a study of the cost, methods and policies relating to the procurement, distribution and storage of food with a view to devising recommendations in this field which will reconcile, as far as possible the requirements of a continuous supply of food to the consumer at reasonable and stable prices and the need to provide adequate incentives to the cultivator to grow more food.
- VI. While the Commission will concentrate primarily on ways and means to increase more rapidly the production of agricultural crops and particularly food crops, it is authorized to extend its inquiry into related fields of forestry, animal husbandry and fisheries for the purpose of viewing the activities in this entire field in proper perspective and relationship to each other.
- VII. In carrying out its work, the Commission will take into account the limitations on resources in terms of finances, personnel and administration which may particularly govern what can be undertaken in the sphere of agricultural development and will work out recommendations which will make the most economical use of these limited resources.
- VIII. In discharging its responsibilities, the Commission will work in close cooperation with the Planning Commission. It will recommend specific measures for increasing agricultural production and for effective implementation of agricultural development programmes and will also, where necessary, suggest changes in policies or emphasis in carrying out the existing development plans.

- IX. The study as outlined above will take approximately one year. The Commission may, however, make interim recommendations on specific problems.

The Constitution of the Commission

The Commission was constituted as follows:

- (1) Malik Amir Muhammad Khan, Governor, West Pakistan, Chairman
- (2) Mrs. G. S. Kehar, S. Q. A., Member, Planning
Commission Member
- (3) Mr. S. Inait Hussian Shah, Economist. Member
- (4) Mr. S. G. Kabir, Retired Joint Secretary to the
Government of East Pakistan. Member.
- (5) Mr. S. Il Haque, C. S. P., Commissioner,
Lahore Division. Member
- (6) Dr. M. O. Ghani, S. Q. A. Member
(full-time)
- (7) Dr. A. G. Black Member
(full-time)
- (8) Mr. A. Gaitskell Member
(full-time)
- (9) Mr. M. A. Cheema, C. S. P.. . . . Member/
Secretary-General (full-time)

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