

IPP

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Do We Need a Planning Commission

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Do we need a Planning Commission (PC) in the world of today? In fact, do we really need a plan? Why should we plan and what?

In today's world serious questions arise about the usefulness of planning notions and plan size. It is interesting that none of the six best things that have happened to Pakistan were planned, the green revolution, private tubewells of farmers, small-scale industry, overseas migration and the resulting remittances, the Afghan war and 9/11 which attracted a lot of aid on concessional terms (ignoring for the moment its adverse outcome in the form of militancy and terrorism).

Until the 1980s a key PC function, which it performed with reasonable success, was soliciting financial assistance on soft terms from bilateral and multilateral aid agencies to fund development activity. Since then even this role has been substantially whittled by donor agencies venturing aggressively into social sector projects, leading them to interact directly with the provincial governments with no involvement of the PC.

Moreover, the presence of an institution like the PC simply served to entrench the artificial distinction between maintenance related spending and development expenditures. The availability of donor funding for development projects incentivized poor protection and preservation of assets resulting in their disrepair whose rehabilitation was then financed by donor funded 'new schemes', the development expenditure merely representing deferred maintenance.

The Commission's position in guiding investment and growth and formulating plans has been downgraded following the transfer of several functions to provincial governments under the 18th Amendment, privatisation of some state owned enterprises, gradual increase in the footprint of the private sector in the economy, massive sized budget deficits constraining expansion in the scale of government operations and greater involvement of the World Bank and IMF in the formulation of government policies as a result of the frequent recourse to the IMF since the 1990s. In fact, it has never performed any meaningful role in the formulation of the stabilisation and structural adjustment reforms demanded by the World Bank and the IMF.

With the widening of the private sector's operational scope, the deregulation and liberalisation of the economy and the narrowing base of activities over which the state sector has a monopoly, market forces are playing an increasingly influential part in the formulation of investment decisions. The process of globalisation is further weakening the role of the PC under which the

planning process will trail behind market and external forces to a greater extent, rendering planning even more of an empty box than has been the case so far.

Owing to its reduced influence and the loss of competent Pakistani economists to greener pastures abroad, the poor performance record of the Commission has become glaring. Moreover, ministries and public sector agencies are developing their own policy packages and designing and implementing their own projects with limited inputs from the PC. Resultantly, its inputs are either not sought, if not completely ignored, in framing policies or development programmes. The diversion of scarce development funds for MNA/Senator programmes has further marginalised its role in guiding investments into areas and assets which would generate the highest economic returns, inhibiting its role even as a coordinating agency. As a result of these developments there is little link between planning and actual economic growth. What can the Commission plan in such a changed environment?

The difficulty has been compounded by the fiscal crisis. The commitments for defence, debt servicing administrative functions, will ensure that the government will not have adequate resources, narrowing the choices available to planners. As all major policy initiation and resource mobilization efforts are under the control of the finance ministry, the PC's role has been further diminished. Thus, it will simply limp along and its traditional role will become titular and insignificant. It will, at best, be able to conduct a broad examination of the inter-sectoral consistency of physical programmes and targets, many of which are likely to be provincial and local government subjects. Therefore, the inescapable conclusion following the massive change in the domestic and international economic environment is that the PC has become a moribund agency, all worsened by its current anaemic capacity to develop anything that even remotely looks like a plan.

The Commission can, therefore, no longer be expected to have more than nominal influence in setting the agenda for growth and for the public sector development programme (PSDP), attaching priorities to the PSDP's components, formulating policies for achieving these objectives and designing the associated implementation instruments and institutional arrangements. This has become all the more apparent after the 18th Amendment resulting in the combined provincial development programs being more than that of the Federal Government (despite the latter implementing many projects that fall in the domain of the provincial or local governments), with growing pressure for greater decentralisation of political, administrative and financial autonomy. The PC is, however, still stuck in a time-warp. Its

organizational and functional structure is out of sync with times and the changed environment and realities. It continues to have Members and associated positions for sectors now fully mandated to the provinces.

In the light of such developments the PC may just have to restrict itself to establishing priorities and guiding and influencing investments by designing appropriate incentive structures. Unfortunately, as presently organized and manned, it cannot perform such a role when it comes to say energy, developing the country's economic vision, taking the lead in establishing priorities and conceptualizing and formulating related policies and programmes.

To this end, therefore, the incumbent Deputy Chairman's desire to convert it into a "think-tank" is a step in the right direction. But this would require not just a restructuring of the PC and staffing it with a different and higher quality skill set (human capital, contrary to general belief, in scarce supply in the country) but also for it to be empowered differently to attract the quality of skills for such a role. This in turn will require not only a dramatic change in the Rules of Business but also in the importance of its position in the Federal Government. And this will be resisted by the bureaucracy (in whose scheme of things the role of the PC is peripheral and modest) as well as by the politically more powerful individuals occupying ministerial positions, all of whom will jealously protect their turfs.