

DO'S AND DON'TS IN INFRASTRUCTURAL PLANNING

(Lessons from the Past Decade)

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The infrastructural planning in Pakistan has passed through many phases since the past one and a half decade when Pakistan started preparing and executing periodic Five Year Plans for economic development. While investment in the physical infrastructure in the public sector did produce some results in the past, it cannot be stated that this was the most economical investment in building up a sound physical base in the country. Some of the causes that led to operational shortfalls in achieving physical and financial targets and a corresponding reduction in the financial returns and economic benefits are discussed below :

(1) Ambitious planning and fixation of targets

In our endeavour to achieve too much in too short a time perhaps to make up for the lost time in our history, we had embarked upon an ambitious programme for planning and development. Therefore the targets of production could not be physically achieved in all the sectors of our economy.

(2) Unrealistic resource projections

The resources estimated at the time of the preparation of the periodic plans, particularly the Third and Fourth Five-Year Plans, fell much short of the original estimates partly due to an error inherent in the original estimates and partly due to unforeseen circumstances that developed over the course of these plan periods. For example, in fixing the public sector size of the Fourth Five-Year Plan, the resource picture appeared to be of the order of Rs. 3,500 crore. This was boosted up with certain assumptions to Rs. 4,500 crore to create a greater national impact. Later to arrive at an agreement between the allocations for East and West Pakistan, the overall size was further increased to Rs. 4,900 crore assuming additional foreign assistance of Rs. 300 crore and additional taxes of Rs. 100 crore. These assumptions which appeared to be

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too good and far removed from realism later brought phenomenal shortfalls in the Plan. The political crisis in the country followed by a war with India : in fact brought the country's resource position to a substantially lower level than even the original estimates of resources for the Fourth Plan. This was also true to some extent about the Third Five-Year Plan. It, therefore, follows from this experience that resource projections in economic planning and the fixation of physical and financial targets should henceforth be based on realistic assumptions and no other considerations.

(3) Failure to determine clear cut project priorities

The Planning Commission in many cases today is without a list of priority of projects within each sector much less determining such priorities in intra sectoral projects. We therefore need to evolve a system whereby schemes are not simply examined in the Commission on first come first served basis and accordingly recommended to the CDSP/EC of the NEC for approval. Hardly any scheme received in the Planning Commission was ever returned to the sponsors on the ground that it was either unnecessary or did not fit in the priority of our schemetic planning to achieve the desired targets. The result has been that quite a few projects were taken up simultaneously with too few resources. In doing so, there was a good possibility that the more profitable projects might have been left out. The need for predetermining the order of priority of projects within one sector and from sector to sector/province-wise is self-evident if wasteful expenditure on the less important ventures is to be avoided in view of the tight position of resources and the crisis which the country is faced with today.

(4) Lack of co-ordination

A lack of co-ordination between the various executing agencies has sometimes cost the Government dearly. A frequent dialogue between the executing agencies responsible for development could avoid duplication of human, monetary and material effort.

(5) Unrealistic phasing of expenditure in fixing completion schedule of projects

In the preparation of projects the sponsors very often phase the expenditure to be incurred on a project according to their implementing capacity but without regard to the annual availability of funds for that particular project. The period of execution of the project is then first determined and the whole economic picture and financial returns are worked out accordingly. Other reasons apart, when the actual release of funds for particular projects falls short of the requirements of the project, it results in constructional delays of

the project, price escalation, reduced benefits and increased costs of construction. Therefore, preferably at the time of project preparation, otherwise at the time of project approval, it is necessary that the project's date of completion and phasing of expenditure should be realistically determined and tied down with the annual availability of funds.

(6) Non-availability of prompt and firm decisions on debated issues

Failure on the part of decision makers to take timely and firm decisions with regard to the fate of certain projects have also led to greater burden for the national exchequer. There were cases where a major project was approved and after it had reached a definite stage of construction with substantial investments, controversy regarding its abandonment, sharing of cost, necessity of purpose, the extent of economic benefit, etc. arose. In some cases arguments have gone on for years without a firm decision which indirectly torpedoed the progress of the projects, affected the release of funds, delayed execution and as such the economic benefits that were to accrue from such investments. A firm and timely decision on these matters would eliminate such occurrences.

(7) Rigidity in departmental stands

In quite a few cases the development departments take rigid stand on matters relating to their own departments with a view to extracting more funds from the national kitty in preference to other more important national interests. A better appreciation of the mutual problems of departments and more frequent dialogues would reduce this tendency in the attitudes of the concerned organizations.

(8) Common causes of project failure

Often planning has failed to achieve the desired results due to one or more of the following faults appearing in project planning, its preparation and implementation :

- (i) Initial under-estimating of cost by the project sponsors.
- (ii) Defects in planning and design subsequently leading to increased cost.
- (iii) Inflated projections of benefits and financial returns from these projects.
- (iv) Unforeseen circumstances such as the 1965 war, the recent Indo-Pak. conflict and the political situation preceding it in the country, that affected project execution.
- (v) Increased custom duties and other taxes during the course of implementation of a project, not catered for in the original sanction.

- (vi) Change in the concept and scope of the project resulting in increased costs and a changed cost benefit ratio. It is therefore imperative that when any such change over the originally approved project is noticed, an immediate revision of project be undertaken and timely approval obtained. Only then the Government will be in a position to decide whether or not to approve a project under changed circumstances. The actual practice in the past has been to the contrary where revision of project and approval were allowed to linger on indefinitely.

(9) Lack of follow-up action in projects

More often than not a project even after its physical completion fails to achieve the desired objectives for any one of the following reasons :

- (a) Lack of follow-up action for providing public incentives such as land development, creation of schools, marketing facilities, co-operatives, dispensaries, communications, etc. for the complete development of a new area.
- (b) Inefficiency in the operation and maintenance of the completed works.

Therefore to achieve optimum benefit a project has to be looked at in its totality for development and not otherwise.

(10) Effect of tax holiday and other concessions on economics of on-going projects

The economics of many projects was affected when the Government as a policy measure decided to allow certain tax concessions thereby reducing direct financial returns from project investments. Thus while the project costs increased over those estimated for various reasons, the financial returns diminished making the project financially less and less viable.

(11) Time lag in the completion of complementary projects

In some cases the project could not come into full operation because some of the complementary projects essential for the attainment of full benefits could not be completed in time and this time lag between various operational components reduced project returns. For instance, while the generation plant was ready, some of the transmission lines could not be completed in time for transmission of the additional power generated to the load centres.

(12) Inefficient operation of machinery and equipment

The executing agencies in some cases acquired large units of machinery which involved huge overheads, lacked adequate facilities of maintenance

workshops and the right type of spares with a consequent inefficient operation of machinery with the result that most of these were running in loss.

(13) Continuation of establishment despite reduction in work load due to inadequacy of funds

A reduction in the availability of funds for some of the ongoing projects warranted a corresponding reduction in establishment due to reduced work load. But it was not possible to do so to avoid creating unemployment and labour problems. This in turn increased project costs without a rise in the anticipated benefits.

(14) Failure to effect recoveries of charges envisaged in the financial forecast of projects

In many cases it was not possible to recover charges such as betterment levy, water rate, etc., which at the time of approving a project, it was assumed would be recoverable on project completion. This seriously jeopardized the cost benefit ratio of many a project.

(15) Lack of co-ordination between educational expansion and utilization of manpower

In approving programmes of national education and expansion of educational institutions a proper coordination between the creation of job opportunities and the type of personnel thrown up by our educational system could not be maintained. In a number of cases the assumptions made in planning the expansion of educational institutions in Pakistan failed to match the actual job opportunities occurring in industry, agriculture and public services. The result has been a surplus of many educated people without the right type of jobs. While over 1000 unemployed graduate engineers are seeking suitable jobs in Pakistan on the one hand we continue expanding our engineering universities and engineering colleges for producing more and more engineers. It follows that the education policy of our country has to be carefully geared down to meet the actual national requirements in different sectors of our economy.

(16) Inequitable distribution of social welfare effort

The social welfare work within the country has primarily been undertaken through Government and voluntary social welfare organizations. Quite a few of these social welfare organizations have been given annual grants by the Government. An appraisal of the figures would show that most of these grants were concentrated in the bigger cities and very little amount was spent in the rural areas where welfare was most needed. Within cities the organizations

which needed the least assistance from the social welfare point of view, were allowed sizeable grants.

(17) Prestige programmes in research

For some time now the Government has been laying great stress on scientific and technological research in Pakistan. For this purpose some research councils in different fields were set up at the Centre side by side with independent research institutions of the Provincial Governments. Large amount of money was spent in maintaining the establishment of research organizations, and procuring equipment for carrying out research, but the whole venture does not appear to have been as fruitful as originally expected consistent with the investments made. The Pakistan Atomic Energy Commission, the PCSIR, the Irrigation Drainage and Flood Control Research Council and other research institutions have undertaken some useful work, but unfortunately a big chunk of the effort was frittered away in prestige programmes and administrative affairs with the result that direction oriented and purposeful research was lacking in many cases where research was taken up for the sake of research and not for achieving a particular national objective.

(18) Lack of incentives for good workers

The policy of appointing the right man on the right job and avoiding frequent transfers though acceptable in principle could not be followed in actual practice to the desired extent. This affected the tempo of development. The developmental ventures in the public sector failed to provide proper incentives for the good workers. Thus opportunities of greater output of production from the more enterprising workers and technicians were lost.

(19) Procedural bottlenecks in the release of funds

Under the existing system with a reduction in the total resource picture as compared to that originally envisaged at the time of preparation of ADPs the budget grant of various agencies in the Provincial and Central Governments was reduced by imposing ad hoc cuts on the original grants as the financial year went along. The result was that the tempo for executing a particular job at a certain pace could not be maintained thus affecting efficiency. In some cases cuts were announced towards the fag end of the year and it became impossible for the agencies to control expenditure according to the imposed restrictions. Even under the normal system of revising budget provisions for various works through the first and second lists of excesses and surrenders sometimes additional grants were released to the implementing agencies only a couple of days before the close of the financial year. By the time these sanctions travelled down to

the field operating units, it became impossible to utilize the funds which were allowed to lapse.

(20) Over-dependence on foreign consultants

We have been depending mostly on foreign consultants for advice in different sectors of our economy and for technical know-how in many fields. Local expertise has now developed in a number of fields to take care of our national requirements and it is high time that overdependence on foreign consultants was reduced to a great extent by Pakistan. This would also bring down project costs.

(21) Foreign aid acceptance and utilization

With the mass acceptance of foreign aid on varying terms from various sources Pakistan has built up a high order of debt servicing liability. We can no longer afford to continue with relentless acceptance and utilization of foreign assistance. A realistic evaluation of the monetary work for every foreign aid offer will have to be made. It will not be enough to simply consider the terms of repayment and the rate of interest but its net worth and the end product must be taken into account. Moreover, all foreign loans must only be invited in projects which can repay back after completion.

**POINTS FOR IMPROVEMENT IN PLANNING OF PHYSICAL
INFRASTRUCTURE**

The following suggestions are made towards building a more economical, more sound, more paying and more needed physical infrastructure in the country's economy :

- (1) We should only take up as many projects for execution as can be completed according to a carefully worked out schedule of implementation, which should be arrived at after making a careful analysis of the implementing capacity of the executing agencies, the availability of funds annually (both in local currency and foreign exchange), the realism in the assumptions regarding economic benefits from the investment, and the practicability of recovering charges from the beneficiaries of this investment. Lack of due attention to any one of these factors will produce a drag on a project's execution, its economies and financial returns.
- (2) Over-heads on projects should be drastically reduced. This will not only effect economy in project costs but will also increase efficiency of operation.

- (3) Expenditure on prestige projects should be brought to an end forthwith. For instance, spending crores of rupees on construction of a series of prestige buildings by various organizations could be avoided and the savings diverted for meeting the social needs of the people.
- (4) To ensure that the Government does not get a raw deal at the hands of the contractors, particularly foreign contractors, responsible for project execution and supervision, the agreement forms should be examined and standardized as far as possible so that not only the Government interests are properly safeguarded but a fair exposition of the other parties' rights is also catered for in the standardized agreements.
- (5) We should not allow inter-provincial or inter departmental controvercies to linger on indefinitely, which may in turn affect project execution and the targets of national production. The Governmental machinery should be capable of taking bold and timely decisions in such matters.
- (6) An administrative machinery should be evolved whereby the best possible use can be made of our local talents and our own human resources and material for a speedier construction of physical infrastructure in our economy. As a rule, therefore, projects with little or no foreign exchange should be given priority over those requiring heavy foreign exchange.
- (7) An institution for deploying the right man on the right job must be fully developed and this policy physically put into practice. The system should also provide incentives for a good worker to become better and a better one to become the best.
- (8) Projects with short gestation periods must be boosted up in construction so that benefits on their completion start flowing to the people as soon as possible.
- (9) Expenditure on surveys, investigations and routine research programmes for identifying new venues of development and new projects should for the present be slowed down to permit the diversion of these funds towards the completion of projects that stand identified on the basis of investigations already carred out. Project approach for multipurpose development of an area should be given preference over single purpose investments. To start with a "few Pilot Projects" could be initiated in selected fields.

Subsequent expansion of the programmes could then be determined on the basis of success achieved in the Pilot Projects.

- (10) There is a need among the public servants at all levels to exercise powers delegated to them under the financial and departmental rules. While the corrupt and inefficient need to be fully exposed, confidence has to be restored and reposed in the sincere and conscientious public servants.