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<u>The Paradox of the Quasi-Governmental Corporation</u>

<u>in East Pakistan</u>.

by

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Purpose of the Paper

The purpose of this paper is not only to show that public sector corporations are one of the untouched areas of analysis in the development literature, but also to awaken some interest in this subject which to date has been left primarily to government committees, kremlinologists, and hungry consultants probably because the subject falls among the disciplines of economics, public administration, business administration, etc., and, ergo, does not fall neatly into the journals.

This paper analyzes the workings of public corporations in East Pakistan and presents a very simple framework for this analysis. The hope is that economists will employ this or some other framework on semi-autonomous corporations elsewhere so that governments in developing nations will be placed in a position to use the institutional arrangement of quasi-governmental body effectively. This paper is generalizing from a sample of one, and the author would feel rewarded if others would work to broaden the sample.

This paper also hopes to serve the immediate purpose of showing to the policy makers in the developing nations, and those policy makers concerned with the developing nations, the basic paradox of quasi-governmental institutions - at least the ones in Pakistan, and giving some rather specific policy recommendations for eliminating this paradox. Policy makers must recognize that the semi-autonomous corporations as now constituted (again at least in East Pakistan) cannot become vehicles of rapid growth.

Importance of Semi-Autonomous Bodies

The lack of attention paid to the semi-autonomous bodies by development economists today seems as surprising as the lack of attention paid to the agricultural aspects of development ten to fifteen years ago. The development economist's ignoring and ignorance of the public corporation demonstrates that the magnetism of the fads of academica are a much more powerful attraction to them than the mundane but significant institutional aspects of the development process. In the very near future a very sophisticated economic model of every developing nation will have been built. Yet, the developing nations still will be developing, and perhaps at that time economists will again focus on the institutional forces which actually result in development.

The effectiveness of semi-corporations is certainly one of the key determinants of growth, since they have responsibility for the key inputs which lead to growth. In Pakistan the semi-autonomous corporations have complete responsibility for power and large-scale irrigation (and in East Pakistan small-scale irrigation), for the distribution of fertilizer, and for a significant part of the industrial production (in East Pakistan roughly 60% of industrial production), as well as many other key functions. It is from these little acorns that big oaks grow.

Over the last five years the semi-autonomous bodies have on an average (the median) used 48.1% of the development budget (see table 1) in East Pakistan.

TABLE . 1

Semi-Autonomous Corporations as Percentage of East Pakistan Development Budget from 1965-1970 (billion Rs.)

	1965	1966	1967	1968	1969
Semi-autonomous corporation expenditures	1.0	1.0	1.3	1.0	1.2
Total Development Budget	2.0	2.3	2.7	2.9	2.5
Percentage	51.3	45.5	48.1	34.6	49.3

In West Pakistan the semi-autonomous corporations have used from 51.5% of the development budget in 1965 to 64.8% in 1969. The importance of the semi-autonomous corporation is not exceptionally great in Pakistan as compared to other countries. For instance in the year 1963 in Turkey, state enterprises accounted for 44.2% of the industrial output and 52.7% of the value added of large manufacturing industry. They imployed 43.2% of the large-scale industrial work force.

In India 23 % of the central budget is consumed by quasi-governmental bodies. Furthermore ___% of the steel output, ___% of the _____output, and ___% of the _______ output, all came from semi-autonomous bodies.

At least three questions arise:

1) Why have semi-autonomous bodies been accorded such importance?

2) How do they function?

3) What policy measures could improve their performance?

We intend to answer these questions focusing mainly on East Pakistan. The reader who is either unacquainted with or particularly interested in the Pakistan institutional setting may wish to refer to Appendix A, which attempts to show how the East Pakistan Industrial Development Corporation (EPIDC) a typical semi-autonomous body functions within the context of the government.

The Rationale of the Semi-Autonomous Bodies

Semi-autonomous bodies were created to perform certain critical functions which could not be handled effectively by the normal government bureaucracy and functions which either were not or could not be taken up by the private sector. The aim in one direction was a public sector corporation which was as efficient as a typical private sector corporation presumably because it simulated the incentives and techniques which lead to that private sector efficiency. In the other direction the public sector corporation was to avoid the inflexibility of the government, its slow decision making process, its fixed pay structure, its advancement through seniority, ad infinitum.

The Framework

The fundamental assumption of semi-autonomous bodies is that the conditions under which they operate will resemble the conditions of the private sector and accordingly those functions assigned to semi-autonomous bodies will be handled with private sector efficiency. The government, in fact, rarely creates a private sector environment for semi-autonomous bodies, meaning that the assumption falls and the desired efficiency is not reached. Perhaps equally crucial is the non-recognition by the government creators of the x-efficiency factors which fuel private enterprise.[1] In this article Leibenstein presents a very convincing case that there are many exogenous psychic pressures which contribute significantly to the efficiency of a private firm. His arguments would have been greatly reinforced had they been applied to the public sector.

Let us briefly set forth the motivations and conditions under which the private sector generally operates and then juxtapose examples mainly from the East Pakistan public sector.

On the most primitive level of analysis an individual enters a business (makes an investment) to optimize his profit. Thus he chooses a project which will make money, and if necessary he hires an outside consultant to determine whether the proposed investment is in fact profitable. Next he puts up or raises the capital and he optimizes his capital investment, meaning a plant of proper scale purchased from the best source put up as rapidly as possible. To operate the plant he chooses an

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[1]Leibenstein, Harvey. "Allocative Efficiency vs x-efficiency," <u>The American Economic Review,</u> June, 1966.

optimum management team and optimum labor force, and assuming a relatively healthy market, he runs his plant at capacity. In more concise terms he is motivated to optimize his return on investment, his capital-output ratio, and his labor-output ratio, and he has control over these decisions.

Let us pursue this analysis for an existing large-scale enterprise which has fairly, or extensively, broad ownership. This enterprise will have a board of directors composed of management and representatives of the shareholders. On a regular basis the capital-output, labor-output, and conceivably management-output ratios are checked to see whether any improvements can be brought about, and, naturally, the profits of the firm from year to year tell most of the story. A new investment is thoroughly explored and weighed against some policy established return on investment criteria, and then presented to the board of directors for approval. The board makes the decision and if positive, determines whether the new investment will or can be carried out through internal financing, whether capital will have to be raised from the outside, and whether the capital will be in the form of debt, equity, or some combination of the two. After the decision is made, the investment is carried out as quickly as possibly so that the return will start rolling in as rapidly as possible to reward the shareholders (value of stock goes up), the management (stock options, profit incentive, put out or get out), and labor (bargaining position, stock, productivity incentives, lay offs).

Let us compare the differences in some of the major elements of the operations of the private and public sector:

1. The inherent differences between sector corporations.
2. The selection of top management.
3. The policy orientation.
4. The incentives to top management.
5. The relations between top management and the organization.
6. The incentives to the operating management.
7. The use of project consultants.
8. The meeting of capital requirements (including foreign aid).

Inherent Differences Between Sector Corporations

In theory, a private firm is responsible to its shareholders and seeks the rewards desired by the shareholders. Social accountability enters the picture only insofar as excess abuses might lead to governmental action which would reduce profits. Thus, social accountability does enter into the profit calculations and optimization rather than maximization is the rule. For the Pakistan private sector the optimum and maximum generally coincided, demonstrating neatly the entrepreneurial calculus. The Pakistan Government reckoned the social consequences of the public sector corporation's action and inaction very heavily in its policy, investment, and operating decisions. The very fact that the final reckonening of social consequences is made by the Pakistan Government indicates a rapidly creeping interventionism which immediately differentiates semi-autonomous bodies from autonomous ones. This social weighing and concomittant interference almost inevitably resulted in decreased profits and not in the desired efficiency. The reduced profits result mainly from rapid government response to the negative public uproar of a normally justified and warranted business decision which vastly overshadows in the eyes of the government the positive applause for a respectable rate of return on public sector investment.

Let us elaborate upon this notion with a few examples. In East Pakistan there is one public and one private sector paper mill which in terms of product mix are relatively comparable. Both hold monopoly positions in roughly 30 percent of their product lines. The private sector mill was originally a losing public sector enterprise, until it was divested to the private sector. Once in the private sector, the mill adjusted its prices upward in relation to its costs. The price rises were inevitably met with tremendous howls by the public, but the price increases stood, the government stood still, and the paper mill stock was one of the Pakistani blue chips. The public sector mill did not raise its prices mainly because the government was afraid to face the public dismay at increased newspaper prices. By 1968 the public sector mill had accumulated a loss of $8 million - $2 million occuring in 1968. How and why did this loss take place? Basically, the chairman of the public sector corporation did not feel he had the authority to raise newsprint prices without prior approval of the government. The chairman recognized the losses that were accumulating, but initially he preferred to suffer those losses rather than incur the wrath of the government and possibly risk his current job as well as jeopardize his future career. When the losses reached such proportions that "playing ostrich" was a greater risk than facing the government, he recommended a moderate price increase to the government and was turned down.

A complete analysis of this example would pre-empt many of the ideas which will be explored later. However, it does show the natural affinity of social accountability and government interference and the negative incentives on top management, if top management is not rewarded or punished on the basis of the economic performance of the firm.

A second example shows another inherent difference between the public and private sector. A private sector refinery was being constructed in East Pakistan. The entrepreneur encountered financial difficulty to the point where he could not go on with the project. What did he do? He very intelligently sold his interest in the concern to the public sector for the value of his original investment, even though the "present value" of the investment had decreased considerably because of a probable two year lag in the completion of the project. It would be a very strange set of circumstance which would motivate a private sector firm to bail out another firm at an overvalued price -if at all.

Conversely, the public sector industrial concern was also willing to divest itself of both profitable and losing enterprises.[1] However this divestiture process was one which intimately intertwined the semi-autonomous body with the government. A private sector firm might spin off a division, but this decision would depend on the price and the overall business policy and strategy of the firm. A public sector corporation would be reluctant to sell an enterprise at a loss (at least a paper loss), for what government wants to admit the making of a poor investment decision. After all, taking

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[1]Hexner, J. Tomas, EPIDC: A Conglomerate in Pakistan - The Spin-off Process, Economic Development Report No. 140.

a loss is probably the decision that comes the hardest to the most sophisticated investors. Possible political pressure on whom to sell to and for how much are also a fact of life.

To summarize, three dominant principles emerge. First, the public sector corporation differs from a private sector firm in that the umbillical cord of a public sector corporation is in actuality never cut (at least in Pakistan). The atmosphere is rife for creeping interventionism. Second, the rationale of social accountability in the creation of the firm leads to decreased return on investment and hinders efficiency by providing the negative incentive of sweeping the unpleasant decisions under the rug, - e.g. price increases, shortages of stock, etc., and hoping they will become the worry of ones successor. Third, at least in Pakistan, the returns on public and private investment are very difficult to compare because the public sector has taken up activities which the private sector shunned. This was the articulated industrial strategy. In many sectors the public and private sector function side by side, e.g.- irrigation, transport, etc. A charitable analyst would conclude that this dual effort comes from the pioneering effort of the semi-autonomous bodies. This pioneering effort, which is in actuality a different perception of risk on the part of the government, is another cost which the private sector does not have to bear. A semi-autonomous body could function like a private firm if the public corporation would be paid for its pioneering effort, but, generally, the inroads of public sector activity are not a oneshot governmental decision, returning us to the first principle that the umbillical cord between government and government corporation is indeed rarely cut.

The Selection of the Top Management - the Chairman, the Board of Directors, and the Top Operating Posts.

In the private sector, the Board of Directors is selected by the shareholders and the board of directors then appoints the top management, who usually serves on the board, and who in turn selects the key operating personnel who might well serve on the board or sit on the executive committee. The exact interaction among the shareholders, the board, and the top corporate management is subject to a great degree of variation but generally speaking changes only take place when the profit picture changes. The selection of the proper top management and executive team is probably the single most important decision in determining the degree of success of a firm, and the many positive incentives to management are one means of avoiding costly management turnover.

Again there is a striking difference between the public and private sector. The chairman of a public sector corporation is appointed for three year terms by the government with the president and the governor taking part or approving the decision. With the exception of the Pakistani public sector entrepreneur, Gulam Faruq, who introduced the public sector corporation concept to Pakistan (in a far different form from which it was implemented) all the chairmen of the significant semi-autonomous corporations have come from either the military or the administrative services until the 1968-1969 uprisings when an East Pakistani engineer was made the chairman of the East Pakistan Water and Power Development Authority (EPWAPDA). In the recent past, for various reasons, the chairmen have not completed their three year tour.

The board of directors is also chosen by the government and not by the chairman. There is naturally some informal consultation, but the final vote rests with the government. This can mean that some members of the board may be at odds with the chairman, and it can also mean that posi tions on the board can stay vacant for periods of time and the chairman cannot fill those vacancies. The board members are appointed, removed, and renewed by the government. This really means that the top public corporate executive cannot choose or control his own management team. No private sector executive would abide that situation. On the other hand, this is a common situation in Pakistan government departments; so it does not bother the top public sector administrators too much. However, it again distinctly distinguishes the public from the private sector.

The very top key operating personnel are also appointed by the government and not the chairman. The people appointed to fill these posts generally come from within the organization and are mostly chosen on the basis of seniority. Again, though, the appointment and approval comes from outside the corporation.

In 1968 the provincial ministry of finance insisted that it have the right to approve any appointment in the upper middle management range - over Rs. 2000 - a month. This was just another step to interlace the government and the semi-autonomous corporation.

The more general distinction between the private and public sector management selection process can be seen clearly. The private sector puts together a management team and gives it an incentive to operate profitably and to stay with the firm. The public sector top management (at least the chairman and the board) is more like a floating crap game. It is a unit which must constantly regroup. The board is responsible to the chairman but he does not select them. In short, the top corporate management may individually be talented people, but talent is their common denominator. An oft-expressed theory at the Harvard Business School is relevant. The theory goes that the American Telephone Company has one of the best managements in the world, but if it were to take over Proctor and Gamble, then Procter and Gamble would be broke in six months. Proctor and Gamble would actually not go broke in six months because of the lower levels of management who would keep the soap selling. This echelon has also kept the semi-autonomous corporations moving.

Differences in Policy Orientation

A private sector firm is a completely finite entity. The top management reports to a board of directors,on which the management generally sits, and through the medium of the board the long run policies and the annual budgetary projections are made and monitored. This picture is a closed set. There is nothing so neat and defined about the Pakistani public sector corporation. Its board of directors is a working board, comprised of governmental employees - professionals, military, administrators, technicians, etc. appointed for three year terms. The chairman of the corporation is the chairman of the board and for the internal operations of the corporation the chairman really functions as the president and the board members as operational vice-presidents in a highly centralized system. On policy and even operating matters, the board makes recommendations to the government (e.g. - the chief of the development program, the provincial finance minister, and on occasion the central finance minister) and acts according to the decisions of the government. The government makes its decisions on an ad hoc basis and makes them based on the costs and benefits to the government, which can be far different from the costs and benefits to the public sector corporation. Thus the public sector corporations operate in the absence of the very valuable private sector board of directors guidance and control. They operate in a policy vacuum and the chief stockholder, the government, unconsciously (consciously) allows this situation to persist.

How often and for what reasons the chairman of the corporation goes to the government for decisions naturally depends on the chairman himself. The complete range of behaviour will be described in the section on top management. However, there are certain decisions which have to be made by the government. The three most significant are the approving of new investments, the approval of the annual budgets for both on-going and new investments, and the negotiating of foreign aid. Again how closely the corporation follows the governmental rules depends on the chairman, but the final say on these matters rests with the government (see appendix A).

Thus, a Pakistani semi-autonomous corporation cannot be fairly compared to a private sector firm. It resembles more one of the branches of the U.S. military in its functioning. A public corporation goes to the planning department for budget approval; the U.S. army goes to the defense department. An energetic chairman can go around the establishment to the president; so can a U.S. general. Another analogy might be the Pontiac division of General Motors or the Consolidated Cigar division of Gulf and Western, except these divisions really have much more freedom of action, policy-making, and decision making than a government corporation.

We can draw two conclusions. First, the semi-autonomous corporation remains closely linked to the government, and the avoidance of inflexibility, red tape, government salary scales, etc., which provided the rationale for the creation of the corporations, never really come off. In other words the private sector environment is not simulated. Second, the semi-autonomous corporations suffer from not having any real policy making unit like a board of directors. The public corporations work on a day to day basis. The board of directors in no way functions as a long-range strategy maker or as a performance evaluator, and their key roles are not filled by any unit of the government. The corporations approach remotely some policy and strategy projections during the framing of the five year plans. However, these formulations really boil down to a listing of projects to maximize the allocation for that five year plan. This lack of policy and performance frameworks is one of the largest gaps between the public and private sector and accounts for a good bit of the difference in performance.

Incentives to Top Management

In the private sector the top management of the company is provided ample incentives to perform and this performance is generally checked by the shareholders and reflected in the price of the shares. What incentives does the chairman of a public corporation have to manage his firm in the same way as a private manager? Very few, if any. Let us review who the top management is. The chairmen of the corporations have been members of the elite administrative services, who are deputed to the semi-autonomous bodies. The status of the chairmen of the major semi-autonomous bodies is very high in the government pecking order, but it is not the highest rung. Also within the intricacies of the Pakistan bureaucracy the chairman of a corporation must report to the provincial government through a secretary of a department, who is actually junior to him. In fact, next in rank to the chief secretary of the province comes the chairman of the water and power development authority followed by two additional chief secretaries followed by the chairmen of the major semi-autonomous corporations followed by the secretaries of all the departments. The chairmen hold either the highest governmental rank - central government secretary - or the rank just below that. Nevertheless as chairman of a public corporation they are for that period considered to be outside the government.

Let us first cover the positive and negative incentives in the abstract and then see how various individual chairmen reacted to these incentives. There is a monetary incentive to taking a chairman's job in the form of a 20% increase in salary plus a very generous sprinkling of perquisites. The renumeration comes with the taking of the job and is in no way tied to the performance of the corporation. The theoretical tour of duty is three years, and in theory this should be renewed. However, only two chairmen have held their posts longer than three years and of late most have averaged about eighteen months or less. To the ambitious officers the chairmanship of a semi-autonomous corporation is a stepping stone to either one of the two top jobs in the province or a central government secretaryship.

Thus another difference emerges between the public and private sector. When a man reaches the top management of a private company, he has "made it." To what extent he has made it depends on the prestige of the firm. Generally, the top management of a private firm is the end of the line, and it is the ambition of the top management to make its name by making the firm. Top inter-corporate musical chairs occurs mainly in executive suite novels. The way a public corporation chairman handles his job depends to some extent to what stage of his career he is at. The major public sector corporation jobs are either given to experienced administrators very high in seniority for any specific reason or to the bright young men for whom this job is third base before reaching stardom.

The focus of performance rests on the chairman personally rather than on the corporation, unless the corporation happens to have some very specific targets which can be measured in the short-run; e.g. - the distribution of so many thousand tons of fertilizer, the production of so many thousand tons of sugar, etc. What can the chairman do during his brief sejour to improve his chances for moving on? He must do things which are immediately evident and he must preclude any negative activities which might become immediately evident. Long run activities are not really in his interest since the odds are great he will already be gone before they come to fruition

Before proceeding to the specifics let us again draw the distinction between the public sector corporation and the private sector. A private sector entrepreneur receives his rewards from his firm on the basis of his performance. The public sector manager receives his immediate salary from the public corporation, but both his past achievements and his future aspirations are with the government, re-emphasizing the point that the public sector corporation umbillical cord is never really cut .

What short-run actions lie in the self-interest of the chairman? He has an incentive to build up the budget to show that the corporation is growing and did grow under his leadership. If the projects are ill-conceived and uneconomic, no matter since poor project implementation can be blamed on both his predecessor and his successor. He "must take charge" of his organization and avoid any dramatic embarrassments like major defalcations. This generally results in an increased centralization of the organization around the chairman and the directors. He must be at least as heedful to political influence as any other government servant and perhaps slightly more so, since he has much greater financial resources at his command. He might assert his independence and show his superiors and peers within the government that he possesses the administrative prowess to take advantage of the flexibility of the semi-autonomous status of his corporation, but if done at all, this must be done most delicately so as not to muddy the waters. He has a negative incentive to reduce his staff - labor or management, since this could only cause political flack.

Directly opposite to his private sector counterpart, the public sector chairman has no real incentive to optimize the financial performance of his corporation. First, the consolidated financial reports of a corporation normally appear with about a year's delay. In fact, some of the corporations do not even produce an audited consolidated statement - much to the chagrin of the government. Second, the financial reports fall on dead ears or eyes. Nobody of real significance reviews the reports and no meaningful meetings concerning the reports take place. The $8 million accumulated loss in the paper mill was mentioned earlier. No top government officer was aware of this situation until the loss reached that proportion. Third, the revenue to the corporation accrues to the government and not to the corporation. Fourth, the rapid turnover in management gives most chairmen the opportunity to blame the mess on their predecessor or leave one for their successor. Thus the chairmen manage their public sector concerns in the absence of one of the largest pressures on their private sector counterparts. This is not to say that the corporations do not receive "rockets" from the government exhorting them to do better or demanding to know why they have not done better. These "rockets" come but accomplish little, since they cannot compensate for a systematic financial policy and regular performance evaluation (the functions of a responsible board of directors.)

There are some other major implications to this lack of financial review. The chairman of a corporation has no financial incentive to complete a project, since the revenue from operating the project will not accrue to him and since he does "sell" the project to some other organization, when he completes it. The major incentive to complete projects is the dramatic effect of the opening ceremony which can result in both political and public attention. In the absence of financial control there is even a negative aspect to the incentive to complete projects rapidly. The benefits of a rapid completion are not weighed against the costs. The chairman can safely say "never mind the costs; just finish the project", since the costs are never really reviewed. The non-benefit-cost analysis for the dramatic physical targets can be expanded upon. For instance, the corporation will make the province self-sufficient in sugar - regardless of the expense, or the corporation will excede last years fertilizer distribution by 75%; etc.

The incentive to the chairman for the dramatic and for doing something visible far outweighs the remote possibility of a government reprimand. This potential for financial irresponsibility frustrates the government, but their attempts to solve the problem by ever greater intervention is obviously not the correct approach to the problem.

Some readers might be interested in vignettes of the behavior of some of the chairmen. These are presented in appendix B.

The major incentive for the board members was really the cushiness and prestige of the jobs. The scopes of the job were tremendous as were the real benefits for a government job and the potential ones for any job. The incentives were a personal one - keep the job. The incentive was not in any way tied to the performance of the corporation except in those cases in which the government or the chairman demanded something specific. Even these demands would normally be for physical production rather than economic performance. Thus the directors who really function as the top operating officers have little in common with their private sector counterparts.

The Natural Estrangement Between the Chairman and His Organization

When a new chairman takes over, there exists a natural estrangement between him and the rest of his organization - often including the board of directors. In the private sector the chairman can shake out his organization. The chairmen of public sector corporations cannot do this, which means that some chairmen never come to terms with their organizations. We must again flag the difference between the public and the private sector.

What causes this estrangement or incompatibility. The reasons vary from organization to organization, but fundamentally it has been the reaction of permanent core of professionals against a touring group of administrators. This is an extremely serious problem. The chairman must take charge of his organization. He does not have the technical expertise to make judgements. The permanent group realizes that he probably will not serve in the job long enough to pick up this knowledge. One alternative is for the chairman to trust his organization and act as a liaison and lobbyist to the government for his organization's causes. This is a fairly sound approach except the chairman knows that there are many things within the organization which need changing if he is to leave some mark. How does he institutionalize such changes? Some chairmen use outside consultants - often foreign - for this purpose. This is also a possible approach except in the Pakistani context there is no solid reason why the chairman should believe the advice of consultants. The consultants also realize that the chairman is in transit and their contract depends much more on their intimacy with the permanent core who will probably be there long after the chairman has gone to greener pastures than on the short-run friendship with the top man.

Many chairmen refer to the key members of their organization as "they." Even in government meetings some chairmen join the questioning of their own staff. The relationship depends very much on what the chairman considers his function to be. In the East Pakistan Water and Power Development Authority the assignment of two successive chairmen was for all intents and purposes curbing the number of projects going to the government and channelling as much energy as possible into completing some of the on-going projects. The first man to attempt this curbing did not make much progress. The second chairman did, but it required some drastic and courageous actions.

To summarize the public sector chairman faces a greater difficulty than his private sector counterpart in gaining the acceptance of his organization because he is relatively impotent in making any staff changes in his organization, and the permanent core of the organization know that his stay is probably limited. In the private sector the stay is supposed to be permanent and the top executive can prune the staff to his liking. An effective organization cannot afford the public sector type of relationship, and this means that some policy changes must be introduced to ameliorate the situations.

The Permanent Management Group and Its Incentives

When do the individuals who have a long-term relationships with the public corporations come from and why do they stay? The question of the origin of the individuals has to be answered in two phases. At the inception of the various corporations the original employees were mostly individuals within the government who were associated with the function for which the semi-autonomous body had been created. These individuals were then deputed to the semi-autonomous bodies and in essence became the permanent core of the organization, even though they retained their position in the regular government and could be called back into the government. For example, engineers deputed from the irrigation department formed the foundation for the new water and power development authority, and agriculturists were deputed to the agricultural development corporation at its inception, etc. Once in operation the public corporations must compete with the private sector and the government for its professional employees, although the bulk of the administrative force - even below the top level - is on deputation from the government.

What is their incentive for staying with or joining a public corporation? Those individuals deputed from the government have a monetary incentive. They receive a twenty percent deputation allowance plus additional perquisites depending on their status while retaining the security of a government position. For some individuals the public corporation is their best professional opportunity, since the private sector does not function at all or extensively in their field of specialization. For others the public corporation affords enough comforts without making the demands of the private sector. Some believe it to be their best long run opportunity because they feel that the top private sector jobs will go to members or friends of the owners' family. Some believe it to be their best absolute opportunity since the potential for corruption adds an entrepreneurial flavor for very large reward to public corporate employment.

What incentives does this relatively permanent operational core have for serving the ends for which the corporation was created. There are very few if any positive incentives to this end implicit in the institutional arrangement. The deputed government employees could fear that they will be recalled to their government posts, but this is an extremely vague threat, since the government status of these employees usually only becomes known at the time of retirement or at the time of some disadvantageous posting within the corporation. In the final analysis this group tries to placate the floating top management without jeopardizing its own institutional status; which means that the permanent management is willing to assist the top management in its very short-run and un-cost conscious aims so long as these aims do not make any drastic negative changes in the institution. No incentives tied to performance exists for this group.

Let us look at one example. The civil engineers want to build large scale projects and the chief engineer wants to have under him a large number of engineers working on a large number of projects. The completion of a project means a reduction in the chief engineer's empire, since there is no correlation between the completion of one project and the starting of another project. This really depends on the availability of resources and the availability of projects. The engineer does not really even have the incentive of completing a project just for the pride of accomplishment, since on the day of glory the chairman of the corporation and the top management will bask in the spotlight of the achievements brought about by their administrative wizardry. Let us relate this hypothesis to the rationale of a public corporation created to build large-scale irrigation works for the purpose of increasing agricultural production. The engineers responsible for the task of building have no knowledge of or interest in agriculture. They have a disincentive to complete the project, and, in fact, the only cord of the rationale which receives any warm response is the word "large", since it implies an eventual monument and for the corrupt the possibility of more money. As opposed to the private sector the economic incentive for accomplishment is absolutely missing in the public corporation. Again in the public sector industrial corporation there exists the desire to increase the scope of the corporation's investments because it increases the size of the empire and increases the potential for corruption. The incentive to complete the project is missing absolutely. Thus, we find that people charged with the responsibility for actually carrying out the charter of the public sector corporation are operating in the context of some negative incentives and no positive incentives to carry out their responsibilities. The frequent shifts in top management combined with the mystique of the semi-autonomous status seems to eliminate the some time found loyalty and devotion to cause which exists in government departments. This strange off-shoot shows not only that the attempted simulation of the private sector just does not come off in the public sector but that this failure raises the question whether semi-autonomous bodies in this form are not actually counter-productive.

(Foreign) Project Consultants

The private sector will often hire a consultant - local or foreign depending on competence and cost - to advise on the feasibility of a new investment. Often a consultant will not be used in the investment decision itself, but might be used in determining the technical feasibility. Often a consultant will not be used at all. The go or no-go decision on the part of the entrepreneur should be a matter of total indifference to the consultant.

In employing consultants an entrepreneur is seeking an objective expert appraisal to guide him in gaining an optimum return on his capital.

In the Pakistan public sector the reasons for using a consultant and the motivation of the consultant are quite different. In the bluntest terms, consultants are used to justify projects and foreign consultants are used to add credence to this justification. Let us follow through this process and analyze the effects.

The basic reason for the justification of projects is that it will increase the nation's slice of the foreign aid pie (the more justified projects, the larger the shopping list, the higher the probability of a taker), increase the slice of the province's share of resources, and increase the semi-autonomous body's portion of the provincial pie. The fundamental reason for the consultant's wanting to justify the project is the profit incentive of doing similar project evaluations in the future, the profit incentive of being involved in the actual project implementation, and the profit incentive (sad but true) of evaluating the bids after having prepared the specifications for the tender.

In general practice, then, does the consultant actually influence the new investment decision? No! Over a four year period of observing consultants only one negative feasibility report was submitted, and even this report suggested further exploration of an allied field. The positive investment decision is actually reached at the time the decision is made to hire the consultant. The corporation draws up a very rough notion of the rationale for the project. This rationale is supposed to be sufficiently strong to justify the investment in the consultant, and this rationale is brought to the government for approval. However, the government decision really covers a much broader scope. The main unknown is the foreign aid potential of the project. Often this is not an unknown since diplomatic or manufacturer's representatives will have informed the corporation and/or the government that the country has a positive interest in financing such a project. One crux of the decision is the bona fide of these propositions. The other major crux is the economics of the project judged from the very notional analysis made in the request to the government for the consultant. If the economies seem reasonable, and if there has been no negative experience with similar projects, then the decision is made to hire the consultant to justify the project. After all, investing in consultants for a "bad project" would be throwing good money (foreign exchange) after bad in the worst way. For not only would the foreign consultants be a cost, but also the ensuing project.

How does a semi-autonomous body choose a project consultant? The consultant is really chosen on his ability to attract foreign financing. By implication then the firm cannot come from a developing nation. The final choice depends primarily on the most likely source of foreign assistance. For instance, if the Germans have expressed a strong interest in financing a project, then German consultants are used. If several nations seem to be interested, then a consultant is generally used from the cheapest supplier. If the World Bank has shown interest, then the consultant is chosen with the very active interest of the World Bank. If the project represents virgin territory, which means that the semi-autonomous body will have to sell to the aid givers, then the most reputable consultant who tells the most convincing story is hired, but again with a fantastically sensitive antennae to the most likely source of foreign aid. In the last instance if the guess on country is wrong, then the consultant's report can be used as a rationale by the public corporation to the government for supplier's credit, which does not require the trappings of a foreign consultant.

Thus, the choice of the consultant by the semi-autonomous corporation is really an integrated part of the project implementation, the preparation of his report part of the project gestation period, and his cost part of the capital cost of the project. The working consultants in the field have often suggested informally to their clients and to their home office that the project might be unfeasible, and even informal negative intimation has raised consternation which the naive working consultant never expected. He changes his mind or he goes home. Generally, the consultant knows what is expected of him when he is hired. Babes in the woods they are not. Thus, the public and private sector use project consultants in different ways for valid reasons. Private firms want an independent judgement whether or not to make an investment. Public corporations want a positive judgement that an investment should be made.

Before analyzing the effects of the arrangements on the government and the corporation, let us take one example. The public industrial development was considering the building of a steel mill in East Pakistan. The general dimensions of the investment were discussed and the chairman of the corporation felt on entirely subjective grounds that a mill larger than 250,000 would be too massive an investment to handle. The corporation received permission to hire a consultant to test the feasibility of a 250,000 mill and not surprisingly it was found feasible. A Japanese firm provided the consultancy service and Japanese aid was extended to build the project. Very shortly after the contracts were signed, the corporation and the government realized that this was not a mill of sufficient scale. The Japanese consultancy firm was asked why it had recommended a 250,000 ton mill and they stated that it was in their terms of reference to work on a 250,000 mill but that in the body of the report they suggest that economies could be gained from increasing the scale. Regrettably, one cannot expect consultants to supervise themselves.

What implications does this use of consultants have? The semi-autonomous corporations articulate their predominant incentive to build empires rather than to perform economically. The provincial and central governments really have a two-staged reaction. Initially the governments may enjoy the increased flow of project assistance. Subsequently, however, the governments realize that in essence they need consultants of their own to evaluate the work of the public corporation consultants. Private sector firms often keep two sets of books - one for the family and one for the tax people. This two sets of books have not worked with consultants. The effect on the aid giving agencies, who really seem to care whether a project is economic is also one of having to review project evaluations very closely, and in effect redo them.

The extreme scarcity of foreign aid may change this picture. However, the experience of semi-autonomous bodies with foreign consultants and vice-versa is enought to make one extremely sceptical about increased use of "technical assistance", unless this technical assistance is very specifically defined and very carefully monitored within the country.

Meeting Capital Requirements (Including Foreign Aid)

A private sector firm meets its capital requirements either from the internal generation of funds or by going to the capital market. A sound capital structure is an important element of a private firm, since the flexibility gained from a good capitalization permits a firm to make the best of the opportunities it encounters. The ability of a private sector firm to generate or raise capital depends on its economic performance.

The above configuration does not apply to the public sector (see appendix A). The public sector must go to the government for new and operating capital. The performance of the corporation has little influence over the government decision to allocate capital. Thus, it is in the interest of corporation to raise capital but not necessarily to use it efficiently.

This also tune in the very important sphere of foreign aid. The semi-autonomous corporations do not negotiate the terms of their foreign aid financing. In fact, all formal negotiations with the aid givers are conducted by the economic affairs division of the central government. The semi-autonomous body pays one fixed rate of interest to the provincial government and the provincial government passes this on to the central government.

What does this mean to the semi-autonomous body? First of all, it means that it does not have complete control over the cost of its projects. For instance, the Czechs may be able to supply a cement plant at 66% of the French cost, but the central government decides to use the Chech credit for some other purpose and states that the French credit will have to be used. The purchase of fertilizer would be another good example. Japanese fertilizer might be available at $70 per ton and Russian fertilizer at $108. The ultimate decision on which source to use will depend on the availability of foreign credits and alternate uses, and this decision is made by an administrator of the central government and not by the purchasing agent of the agricultural development corporation.

As a point of fact the semi-autonomous bodies along with the local indenters (manufacturers representatives) spend a large amount of time negotiating with the central government for the most advantageous source of credit. The semi-autonomous bodies <u>now</u> as a matter of course put contracts out for international tender so that they know what the real costs are and so that they can use this information to negotiate with the central government. However, the actual decision to go ahead with a project is made before the source of financing and accordingly the capital costs are known. In fact, the government has a very specific rule, which is continuously being broken, that no foreign aid negotiations can take place on a project until it has gained the final approval of the highest appropriate government body, which is generally the executive committee of the national economic council - a very lengthy process.

The semi-autonomous body does care about the initial capital costs of its projects. It generally attempts to obtain the best credit in the absence of any particularly corrupt indenter and purchasing agent. The terms of the credits are a matter of indifference to the public corporation. Suppliers' credits are as appealing as IDA loans.

<u>Recommendations for Improving the Performance of Semi-Autonomous Bodies</u>

I hope that the recommendations for improving the performance of the semi-autonomous are already obvious to the reader. To the author, naturally enough, they stand out clearly.

The most fundamental recommendation for improving the performance of the semi-autonomous bodies is to cut the governmental cord cleanly to permit the semi-autonomous bodies functioning in reality to parallel their functioning in theory. If public corporations are to emulate private sector efficiency, then present the public sector corporations with a similar environment to the private sector or, at least, with the ability to simulate to some rough degree the private sector environment.

What does this recommendation mean? Make the public corporation a separate and distinct entity - a pigeon hole or a box. Provide it with a permanent management which is dedicated to the corporation and rewarded in accordance with the performance of the corporation. If government servants must be used, then reward them also on the basis of the economic performance of the corporation. Have a mixed board of directors which includes both the private and public sector and which dictates policies and projects and evaluates corporate performance. Lay stress on the prompt and clear auditing of financial performance and see that reports are widely publicized and circulated.

Provide incentives to complete projects rapidly and efficiently. This may mean dividing the responsibility between the planning and building of projects and the operating of the projects between two corporations.

Make the corporation responsible for raising its own capital and provide the corporations with a sound capital structure at the outset. Local currency, if possible, should be raised through the local financing institutions and foreign capital should be negotiated directly by the corporation, as much as this is possible. The earnings of the corporation (including foreign exchange, if any) should remain with the corporation. Every corporation should be operating on some performance standard. In certain instances this will mean government subsidies, which should be paid promptly so that the performance standards can be fairly and promptly applied.

Will this work? It should. The public sector will have to match or nearly match the private sector salaries, but presumably the productivity will increase accordingly. The X-efficiency factors of the private sector will be introduced. Management and labor will not be operating in a vague atmosphere of disillusion where hard work is met with cynism but rather it will feel that it is operating in a fish bowl where the nation and ones peers will rapidly be aware of poor performance.

The government will become a typical anonymous share holder who makes its views felt through its representatives on the board. An executive of a public corporation should behave and react in the same way as an executive in a widely-owned private sector firm, but they do not and the reasons for this difference have been elaborated and realloborated in this paper. It is up to the government to make the first step by working through the board.

The reader with a heavy social conscience might believe that these recommendations are in conflict with the basic reasons for keeping activities in the public sector. They are not. The semi-autonomous body was created for the purpose of efficient operation. In the opinion of the author private sector incentives are required for efficient operation. How one measures efficient operation is something else entirely. The semi-autonomous corporation must do its best within the rules of its particular game.

In effect the government must define profit and target objectives at the time of the creation of the corporation. It will be up to the government members of the board to see that these objectives are adhered to. We must naturally recognize that corporate evolution is a most dynamic process, and that the government members of the board may well form a loyalty to the corporation and the "government watch dog " portion of their function may disappear into the backs of their minds. The performance of and the complaints against the government should make this phenomenon very apparent, and the government should take the very obvious step of changing its representation on the board in the same way the board of directors would replace management if it does not live up to its responsibilities.

These recommendations boil down to the government's really meaning business at the time it decides to use semi-autonomous bodies. The government will have to play the role of an investor with the full knowledge of what it expects from the investment. It will have to clean the bureaucratic channels to give the public sector corporation and the government's investment a fair chance.

The Evolution of Public Sector Corporations To Date.

The rationale of the public sector corporation was explained in terms of aiming to reach private sector efficiency by using private sector techniques and by avoiding the typical bureaucratic and governmental traps of the endless passing of files, the increasing volume of deferred decisions, etc. Public sector corporations in Pakistan seem to have passed from the private enterprise end of the spectrum to the red tape end. The reasons are manifold but the most basic explanation is that no clean cut was ever really made between the public corporation and the government and after the first wave of strong and independent public sector entrepreneurs these followed a group of able administrators, who were responsive to typical government pressures.

The evolution does not end with the inefficiency but with a committee or two committees which demands explanation for the creeping inefficiency of the public sector corporations and demands to know why they did not live up to their expectations. We would suggest that the committee try to measure some of the efficiencies over time. These could include capital-output ratios, labor-output ratios, management overhead-output ratios, management overhead - new investment ratios, etc. These measures would form some sort of a basis for the accusations of inefficiency and an analysis of them might suggest certain optimum scale organizations which could be integrated into the committees policy recommendations.

Appendix A - <u>A Semi-Autonomous Body in its Governmental Context - A Brief Case Study of the East Pakistan Industrial Development Corporation (EPIDC)</u>.

This appendix is presented to show the aspect of the environment in which semi-autonomous bodies operate in East Pakistan - the government approving process.

The provincial and central government must approve all new EPIDC projects and feasibility studies. The procedure is identical to that required for other government departments and semi-autonomous bodies and it means that the government has a very definite voice in EPIDC's investment program. This approval process is taken seriously indeed and is definitely not just a bureaucratic routine. Sophisticated economic analysis is used by the government on the project evaluation of most of EPIDC's projects, although it may be disregarded on political grounds in the final decision or approval. These are the steps in the approval process. (See table 1).

If a feasibility study is required, EPIDC prepares an economic justification for the study and the ultimate project and submits this to the commerce and industries department of the provincial government for initial approval. The commerce and industries department then passes the proposed study to the provincial planning department and finance department, which together can give final approval to the study if it costs less than Rs. 5 million (roughly $1 million), which is generally the case for feasibility studies, and EPIDC proceeds with the study itself or hires a consultant as specified in the proposal.

Assuming a go-ahead from the feasibility study (to my recollection there has only been one negative recommendation to date), EPIDC prepares a detailed scheme proposal based on the feasibility study and informal preliminary talks with machinery suppliers who assure that their country has foreign exchange credits for such a project. It bears repeating that the central government will make the final decision on the source of foreign exchange although this decision is subject to a lot of give and take and is often guided by the recommendations of the provincial government and EPIDC. Nevertheless, this uncertainty means that the detailed project proposal contains something less than firm costs.

The new detailed project proposal then follows the identical route as the feasibility study and is submitted to the commerce and industries department and then to the provincial planning department for scrutiny and approval. Schemes costing more than Rs. 5 million ($1 million) are then forwarded to the central government planning commission which acts as the secretariat for the central development working party (CDWP). The secretary of the planning commission (technically the secretary of the president's planning division), a central government secretary, the highest non-political government rank, chairs this committee which is comprised of representatives of the ministry of finance, the ministry of industries and natural resources, and the ministry of commerce - in short all central government ministries concerned with the project. This body examines the project and if approved forwards it to the economic council of the national economic committee (EC/NEC). The EC/NEC is chaired by the central government minister of finance and is comprised of the governors, finance ministers, and chief secretaries of both provinces as well as the deputy chairman of the planning commission and the concerned central government secretaries. Technically, only with the approval of the EC/NEC should the formal negotiations and work begin on the project.

TABLE 1

Approval Process Required for Typical EPIDC Project.

1. Feasibility Study Proposal	
2. Provincial Commerce and Industries Department if yes	
3. Provincial Planning Department and Finance Department	If yes and less than Rs.5 mill. approved and work begins If yes and over Rs.5 mill. go to # 7.
4. Detailed Scheme Proposal based on Feasibility	
5. Provincial Commerce and Industries Department. If yes.	
6. Provincial Planning Department and Provincial Finance Department. If yes and over Rs.5 million	If yes and under Rs. 5 million formal negotiations and work begins.
7. Central Government Central Development Working Party. If yes.	
8. Economic Committee of the National Economic Council.	If yes, formal negotiations and work begins.

This process takes time - on the average from 9 months to three years. The good intent of planning discipline and optimization of resources often frustrate EPIDC and can lead EPIDC to make uneconomic decisions. Two really tempting possibilities stand out when approval finally comes. First, EPIDC might accept a second, third or even less best credit just to get on with the job. Secondly, EPIDC and even the provincial government might proceed with a project just to enjoy the fruits of victory, because the length of the approval period has made the project uneconomic - (e.g. - technological break-through for large size unit), or the product obsolete (e.g. pesticides).

Project approval only begins EPIDC's involvement with the government. The next stage is to work through the provincial planning department with the economic affairs division of the central government to determine the source of the foreign credit. In practice, as stated previously, informal negotiations both with suppliers and with the economic affairs division occur before final project approval. In the past, in fact, contracts have often been signed by the central government before the project was formally blessed by the entire approving machinery.

In 1968 a logical struggle was taking place on this issue. EPIDC argues that informal negotiations are required to supplement the feasibility studies for detailed project preparation and also to shorten the unduly long gestation periods that would occur if negotiations were only to commence after final government approval. The central government although not unanimously states that ill-conceived projects have been undertaken because of this premature action and that each step of the formal approval process is there for a reason and accordingly should be followed. The provincial government stands in the precarious middle. It would like to enjoy the security of the planning discipline, and yet it wants desperately to avoid the barbs concerning absorbtive capacity.

The central government has taken a strong step to back its views. It has issued a directive stating that new project without EC/NEC final approval with the exception of projects essential to food self-sufficiency may not be included in the Annual Development Programme, (the development budget), which means that funds cannot be released for the project. The Annual Development Programme itself marks another strong reason for the intimate relationship between EPIDC and the government. Project approval is no guarantee of appropriations in the development budget. The signing of a foreign credit - particularly from the aid-giving agencies as distinguished from supplier's credit - does more or less insure inclusion in the budget but not necessarily the Rupee support for the foreign exchange. Suffice it to say that in the Pakistani environment of fiscal responsibility, annual battles are fought for Rupee resources in addition to the foreign exchange and EPIDC is not exempted from the firing line.

The completed projects also draw EPIDC to the government. The projects require foreign exchange for maintenance and spares and in some cases such as the stell mill for basis raw material. Like all entrepreneurs EPIDC wants to make its imports at the official exchange rate rather than for bonus voucher or some bonus voucher/official rate combination and like all entrepreneurs and perhaps even more so EPIDC has to fight for it. Similarly, like any business EPIDC is affected by changes in the government tax policies and again like others it must protect its interest.

In fact, being in the public domain EPIDC requests government affirmation for decisions other than capital expansion which the private sector takes with no reference to government. EPIDC goes to the government for any price changes. This particular gesture, as can be imagined, has not done much to improve the profits of EPIDC companies. The clamor after a minimal rise in the price of newsprint, an EPIDC monopoly, was one to behold.

Appendix B - Vignettes from the Administration of Selected Chairmen.

How did the chairmen act in real life? As might be expected this varied tremendously. For an opener let us begin with the attitude and actions of the creator of the Pakistan public sector corporation, Gulam Faruq. Gulam Faruq had in mind public sector corporations which really did resemble private firms. In the first public corporation, the Pakistan Industrial Development Corporation (PIDC), Faruq appointed directors from the private sector and chose his staff. Furthermore, he went directly to the central government for foreign exchange and apparently took what he wanted. Faruq believed that to be effective in the public sector one had to be prepared to resign at the drop of a hat. Faruq was not a professional government administrator. He had been a professional executive in the private sector and his aim with the creation of PIDC was the industrialization of Pakistan. His sights were aimed only at that and this motivated him for four years as Chairman of PIDC. At PIDC Faruq claims to have been the introducer of foreign consultants to justify a loan. He had not used consultants before because he did not feel he needed them. In 1956, the World Bank was sending its first mission to Pakistan to look for projects. Faruq immediately hired a firm to justify the extension of a pipeline from the Sui natural gas fields to Karachi. When the Bank asked whether Faruq had any projects, Faruq had one, and even one with a foreign consultant's stamp of approval.

Faruq moved to the West Pakistan Water and Power and Development Authority (WPWAPDA) as its first Chairman in 1958. Faruq's tour in this post was briefer. Yet, Faruq made one superb move here by hiring a first-class group of general consultants to WPWAPDA. Faruq believed that significant amounts of foreign aid would be forthcoming only if the organization had a set of foreign general consultants. Faruq wanted the best possible ones, who could deal with both the aid giving agencies and the project consultants. In summary, Faruq as a public sector corporate chairman was fired up by his creative dirve, and his canvas was a far larger and broader one than that of today's chairmen.

WPWAPDA had another brilliant chairman, Gulam Ishaq Khan. He, too, was an exception because he held the WPWAPDA job for seven years. He was a brilliant administrator with a driving ambition to complete the Indus Basin Works, - both Mangla dam and Tarbella. Gulam Ishaq had the benefit of first-class consultants and the tenacity to talk to engineers on the engineers terms. He also must have felt that his organization took priority over all others and reputedly he went directly to the President with many requests. What drove Gulam Ishaq Khan? This is impossible to answer but he was the type of administrator who considered the job he had as <u>the</u> job to be done and not just a move on the bureaucratic checkerboard.

The East Pakistan Water and Power Development Authority's (EPWAPDA) first chairman did not match the performance of Ghulam Ishaq Khan. Admittedly he was working in a much more difficult terrain. Still not a single large scale water project was completed from 1958 to 1964. The foreign consultants were on the whole irresponsible and were used to justify the concepts of the chairman. In this particular instance the government did not exert sufficient control or interfere enough, indicating again that the interventionist posture of the government did not really lead to control. This chairman was driven by the ambition to build an empire and perhaps even more sordid notions and not by the ambition to build projects which yield agricultural production.

The first chairman of the East Pakistan portion of the divided PIDC was more typical of today's breed of chairmen. He came from the police service and basically he administrated the program which Gulam Faruq had started. He was an administrator and not an entrepreneur. He was a man who believed in the formalities of the government procedure and he did indeed consult the government before doing things which Gulam Faruq would have considered trivial. This chairman had a program to implement and a job to do, which he did in the same way as any other administrative job - honestly and with devotion.

Another East Pakistan semi-autonomous corporation chairman was equally difficult to control. He was basically responsible for small-scale irrigation and the distribution of fertilizer. His major incentive was to build a good strong organization and then to worry about irrigation and fertilizer. He did not want to overextend his organization. All this seemed reasonable to the government which was so accustomed to vast claims of ability and then dismal failure. This chairman lived in peace but his position of limited targets would have been untenable when the serious drive for agricultural self-sufficiency began in 1968. Again this chairman was motivated to do the best possible job, but the public sector corporation vehicle really meant very little if anything to him.

His successor as Chairman ADC was a very popular administrator, and a man on the way up. He was forced to make his corporation perform. In 1966 a very specific agricultural program was drawn up specifying the tons of fertilizer to be distributed and the number of low-lift pumps to be in the field. The Governor of the province was personally monitoring this campaign and this officer did what he could to come as close as possible to meeting the rather fantastic targets.

The second chairman EPIDC was also a star on the rise. From the time he took over the job it was rumored that he would leave. He was a very tough administrator who was willing to attempt to circumvent the government, but he did not have the necessary influence so he was often caught in his own net. He personally was a very ambitious man, and he achieved some heights such as a tremendous increase in sugar production during his tenure. However, on the whole his style played into the hands of the permanent core which knew that the chairman could never follow up on all of his orders.

The third chairman of EPWAPDA did what he had to before he was retired during the 1968-1969 uprisings. Basically, he kept the organization budgets up, but directed a large percentage of the budget into the completion of six projects. He also replaced the original set of general consultants with different ones, who have not been in place long enough to be evaluated. Had he done more to the organization,then he would have been fired.

It will be very interesting to follow the performance of the current chairman of EPWAPDA - a professional engineer and the first of his genre to reach such a job. Unless he has political ambitions, the EPWAPDA chairmanship marked the target for his ambition. This could mean a permanent chairman who can build an institution about him. How he will react and interact with the government will also be interesting, for he is not a member of the old boy's club.