Chapter IV

THE TECHNIQUE OF PLANNING IN PAKISTAN
Agencies for Planning

No doctrinaire approach underlies the Pakistani plans. 'Neither an exclusively capitalist nor an exclusively socialist economy is postulated.' The approach all through is, what they call, pragmatic. (1)

A basic assumption of the Plans is that for the implementation of the industrial development programme, reliance should be placed primarily upon private enterprise. (2) The public sector on the other hand, is to restrict itself to its own large and varied tasks and interfere in the fields of private enterprise only in those areas or sectors where private investment lags. The principle to be followed is that there is to be no industry reserved exclusively for public enterprise. The Government should provide all the necessary facilities and thus remain generally responsible for the industrial development of the country. (3) The public sector will intervene in the development of an industry on the basis of three main considerations. (4)


(2) Ibid., 225.

(3) Ibid., 225-6.

(4) Statement of Industrial Policy, Government of Pakistan (Karachi, 1959) 2.
i. reluctance of private capital to develop certain lines of production;

ii. interest of the community and overall development of the economy and

iii. considerations of national security.

On the basis of these considerations manufactures of arms and ammunitions of war and the production of atomic energy are reserved exclusively for state ownership. Railways, air-transport and tele-communication are other fields owned and managed by the state. (5) In addition to these, public investment in certain fields is necessary because of certain characteristics of the economy. For instance, the social overheads, so necessary for the growth of private enterprise, are lacking and have to be developed by the public sector or certain industries are unattractive to private capital because of technical complexity, high capital requirements, low profitability or the high risk of investing in new fields. In such cases the Pakistan Industrial Development Corporation (PIDC) is to take the initiative. It is the announced policy of the Government that the Corporation will hand over all such ventures to the private sector as and when willing and competent buyers are available. (6) The programmes in the public sector are rather flexible in the sense that the private enterprise, if capable and willing to undertake any of the investments included in the public sector, are to be allowed to do so in preference over the public sector. (7)

(5) Ibid., 2.

(6) The First Five Year Plan 1955-60, Government of Pakistan (Karachi, 1957) 87. Henceforth cited as FFYP.

(7) SFYP, 226.
The Pakistani approach in this respect comes pretty close to the current Japanese position. In the late 19th century, after the Meiji restoration in 1868, the Japanese Government embarked on an active industrialization programme. Unlike the 1880's it engaged in direct industrial production with the hope of inspiring private enterprise. After discontinuing this policy the government restricted itself to more orthodox activities. It operated some arsenal factories and trading monopolies, railroads, communications, public works etc. (8)

During the course of the Second World War concentration of control within the economy had greatly increased - the combines (Zaibatsu) associating closely with the Government in running the war economy - while in the early post-war years economic control was strongly centred in the state. Later, as the result of the transference of the national policy companies to the private enterprises and the revival of the Zaibatsu, direct control by the Government diminished. The public sector in 1950 was much smaller than it was before the war and certainly smaller than various European countries. This should not lead one to underestimate the influence of the Government in directing the Japanese economy. As in the past, the Government and industry have been closely associated with one another in the working out of the national economic policy. From such association emerge the plans regarding the future size and shape of the Japanese economy. (9)

In the two 'New Long Range Plans of Japan' covering (Financial Year) FY 1958-FY 1962 and 1961-70 respectively, it has been pointed out explicitly that the government would restrict itself to the minimum of direct intervention in private enterprise and as far as possible give complete freedom to private enterprise. (10) But there is a limit to the adjustment which the private enterprise can bring about voluntarily. Also the interests of the private enterprise and the nation may at times diverge. Therefore it is essential for the government to take appropriate measures. The government is thus expected to perform the following functions:

i. Improvement of Social Overhead Capital. This will on the one hand strengthen the foundation of living and industry while on the other hand it will expand income and employment. Moreover, a flexible operation of public investment in this section will serve to regulate business fluctuations.

ii. Improvement of human ability and promotion of Science and Technology under educational and training programmes.

iii. Improvement of Social Security and Welfare; and

iv. Guidance of private industries in sound directions. The government should not step directly into private business but instead should lead them into desirable directions by fiscal loans, investments and by improving the basic environments of private industries.

The basic principle in Japan is that for the fulfilment of the economic policies of the Plans the government should rely upon

the initiative of private enterprise. As far as possible it should not resort to direct control measures. Government in Japan, therefore, plays the role of a guide to the private sector. In Pakistan, on the other hand, in addition to being a guide which is 'generally responsible for the industrial development of the country,' the government may undertake direct investment in certain fields where the private enterprise is reluctant to make investments.

The approach adopted by Pakistan is in contrast with that of India. India is a mixed economy with an ever increasing role for the public sector. The Industrial Policy Resolution of 1948 emphasized clearly the responsibility of the government in promoting, assisting and regulating the development of industry. While the state had the right to acquire any industrial undertaking whenever the public interest required it, it tended to reserve specific fields for the private sector.

In 1954 the Parliament adopted the 'Socialist pattern of society' as the objective of social and economic policy while in 1956 it was changed to full-fledged 'socialism'. In 1956 the new Industrial Policy was approved by the Parliament. The new policy pointed out that the adoption of the 'socialist pattern of society' necessitated that all industries of basic and strategic importance should be in the public sector. Other industries which are essential and require investment on a huge scale have also to be put in the public sector. The Resolution classifies all the industries into three categories — (i) those which are the exclusive monopoly of
the state; (ii) those which are to be progressively state owned and state initiated but in which the private sector is to supplement the state effort and (iii) those which will be the exclusive concern of the private sector. The categories are of course not rigid and watertight. (11)

The public sector is to expand rapidly and has a variety of roles to play. It is to be a means of affecting the transition towards socialism and checking the tendency towards concentration of economic power. Also it would help to remove certain basic deficiencies in the economic structure and it would reduce the scope for accumulation of wealth in private hands. The increasing role of the public sector is amply demonstrated by the fact that as compared to 1950-51, by the end of the Third Five Year Plan in 1965-66, the contribution of the public sector to organized manufacturing industries will increase from less than 2% to about 25% and in mineral production from less than 10% to 33%. (12) As the relative share of the public sector increases, its role in economic growth will become even more strategic and the state will be in a still stronger position to determine the character and functioning of the economy.

Obviously Pakistan's approach is much closer to that of Japan rather than India. But the Pakistani economy is almost

(11) The categories consist of: i. Iron & Steel, Coal & lignite mineral oils, mining of iron ore, manganese ore, sulphur, gold, diamonds etc. ii. Machine tools, fertilizers etc.

similar to the Indian economy rather than that of Japan. It has been pointed out that to begin with even in Japan the Government played a very active role in industrialization and it was only at a later stage that the government stepped out leaving the industries in private hands. In view of the difference in economic conditions prevailing in Pakistan and Japan, the wisdom of the free enterprise policy in Pakistan is very much in doubt. Had the private entrepreneurs been capable of developing, by themselves the economy along the desired lines, the need for central planning would not have arisen. After an economy has achieved a certain stage of development, it is possible for the private sector to sustain the growth as in Japan. But in an economy like Pakistan, which has hardly started along the road to development, where there is a very inadequate appreciation of the need for economic development and where a clear consensus of opinion for planning has not yet developed, too much reliance upon the private sector as the driving force behind rapid economic development is open to question. It is likely to fail in its task of accelerating the rate of growth because of the obvious shortcomings - lack of a national perspective, an inadequate appreciation of the needs of the economy, shortage of capital and entrepreneurship, ignorance of modern techniques etc. The alternative to a free enterprise economy is not socialism or even a socialist pattern of society. In fact there is no need to drag into the picture the ideological issues and thereby complicate the problem. Direct participation by the public sector becomes imperative if rapid growth is desired.
But an active public sector in the initial stages does not preclude the possibility of the private sector taking over most of its responsibilities at a later stage. That is precisely what was done in Japan. Moreover it is difficult to plan the timing and direction of private investment and this reduces very substantially the control of the government over the Plan. Thus to begin with one expected the Pakistan Government to rely upon public investment to provide the impetus for growth and subsequently the private sector could have moved in to take over the going concerns in the different fields. The Government at such time can restrict itself to the traditional functions. The public sector thus assumes the role of a promoter and financier while the private sector becomes the manager.

**Long Term and Short Term Planning**

As in the other countries, planning in Pakistan consists of three distinct aspects:

1. Long term planning;
2. Five Year planning; and
3. Annual development programmes.

Long term planning fixes a definite goal while the Five Year Plans lay down a map of the stages by which that goal is to be achieved. Annual development programmes on the other hand give a detailed picture for each of the periods in which a particular stage is to be reached. The long term plan in Pakistan gives a very general idea about the goals to be achieved, say in 20 to 30 years. It does not go into the problems of finance or policy
matters but lays down the broad target to be achieved during this period. The national income in Pakistan is proposed to be doubled by the Fourth Five Year Plan and quadrupled by the Sixth Plan. (13)

The Five Year Plans, prescribe the policies which ought to be followed if the long term goal is to be achieved. They examine the financial implications and lay down the schemes of priorities and resource allocation. In a Five Year Plan the financial targets are as important as the physical targets.

The Annual Development Programme is a detailed programme of work and budget for one year in view of the physical and financial targets of the Five Year Plan. The Development Programme has to be closely related and prepared in the light of the Five Year Plans and the latest change in the economy. Though an effort is made to follow the direction given in the Five Year Plan, sometimes considerable changes have to be made and if due to some unforeseen circumstances the economic situation in the country changes radically, the Five Year Plan itself may have to be changed through the Development Programmes. The Development Programmes therefore impart an element of flexibility to the otherwise rigid Five Year Plan.

A kind of dual budgeting has become necessary in Pakistan because of the Annual Development Programmes, a programme budget constructed for the requirements of the Annual Development Programmes and a fiscal budget prepared essentially for financial

(13) SFYP, 4.
management. (14) The Five Year Plans have to be broken down into annual development budgets which become an integral part of the financial management. None of these plans, whether the Five Year Plan or the Annual Development Programmes can be very rigid especially when the private sector enjoys the primary place in the economic development of the country because it may be difficult to plan the timing and direction of the flow of private investment.

**The Planning Procedures**

The Five Year Plan is formulated against the background of the long term plan though the former is much more detailed. Normally the first step is to adopt a clearly defined planning procedure including the specification of the variables used, the structural and behavioristic assumptions made and the method of ensuring consistency adapted. An evaluation of performance during the First Plan was made the basis for framing the Second Plan. The evaluation provided information about the responsiveness of the economy to certain policies and revealed problem areas in the economy. (15) The next step was to identify certain targets outlining a development path for the Second Plan. The targets referred to the rate of growth of national income; the incremental capital-output ratio; the domestic average savings rate and the fraction of gross investment to be financed by foreign savings. (16)

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(14) Ibid., 113.
Compared to the First Plan each variable was changed so as to be more favourable to rapid economic growth. Targets were such as can be established easily by the planners and no variable was independent and beyond the control of the planners. (17)

After an initial survey regarding the availability and utilization of resources, a 'plan frame' was prepared containing the objectives, the resources and sector plans etc. The movement from the 'plan frame' to the final plan was made through a process of successive approximations and balance tests.

There are two processes of successive approximations: first, the demand for resources should be consistent with the availability of resources and secondly the expected results should match up to the targets. (18) In order to achieve the former the Commission tried to foresee the availability of and the claims on various resources and to equalize them. The procedure followed was to apply balance equations to the resource flows. These tests revealed flows inconsistent with each other. Planning action curbing or expanding certain flows was introduced in order to eliminate the inconsistencies. Quite frequently improvement in one flow would upset another. Hence a system of successive approximation was used and balance tests were applied one after the other in a row in order to eliminate the upsetting repercussions. Most of the balances were financial — for instance total saving and outlay; availability and requirement of foreign exchange, increments in domestic output

(17) Ibid., 8.
(18) Ibid., 14.
and increments in consumption, investment etc. Physical balances were applied to specific commodities such as steel, cement, foodgrains etc.

In addition to this the Commission wanted the expected results to be equal to the targets. In order to achieve this either the targets could be revised or actions yielding the target results could be introduced. In fact the Commission did both until in the final plan the targets became expected results also. The Commission had, however, to leave a few imbalances in the Plan, to be resolved by private adjustment mechanism or by future government action.
Chapter V

ANALYSIS OF THE PLANS
Size of the Plans

The First Five Year Plan laid down five fundamental objectives of development planning in Pakistan: (1)

(a) To raise national income and standard of living.
(b) To improve the balance of payments.
(c) To increase opportunities for employment.
(d) To provide social services, and
(e) To increase the rate of development in East Pakistan and other backward areas.

These were all long range objectives and the Second Five Year Plan (1960-65) reaffirmed these and undertook to advance the economy as far as possible along these objectives. (2) In the Second Plan these five objectives were expressed in the form of targets. It is almost universal that development programmes have multiple objectives, some of which are conflicting in the short run. But planning should be able to resolve these conflicts and to make the long run goals compatible in the short run as well.

The First Five Year Plan (1955-60) envisaged investment to the tune of Rs. 1080 crores, Rs. 750 crores in the public sector.

(1) First Five Year Plan 1955-60, Government of Pakistan (Karachi, 1957) 13. Henceforth referred to as FFYP.

(2) Second Five Year Plan 1960-65, Government of Pakistan (Karachi, 1960) 1. Henceforth referred to as SFYP.
and Rs. 330 crores in the private sector. It was hoped that this programme would lead to a 15% increase in national income; allowing for a 7.5% increase in population, per capita income could rise by about 7%. The investment was expected to create employment opportunities about as large as the number of extra people seeking work i.e. about 2 million. (3)

The Second Plan on the other hand envisaged an investment of the order of Rs. 1900 crores. The investment in Second Plan was approximately 70% higher than in the First Plan. But in real terms the increase was closer to 50% for the price level on which the Second Plan had been based was higher than the one on the basis of which the First Plan was drawn up. (4) Of this total investment, Rs. 975 crores was in public sector, Rs. 325 crores in the semi-public sector (5) and Rs. 600 crores in the private sector. It was proposed to double the then national income during the Fourth Plan period and quadruple it in the Sixth Plan period. Adherence to this programme called for an increase of at least 20% in the national income during the Second Plan. With an anticipated growth of population of 9%, the per capita income could increase by about 10%. (6) In order to eliminate the backlog of unemployment and underemployment it was imperative

(3) FFYP, 29.

(4) SFYP, 11.

(5) A new category 'semi public sector' was introduced in the Second Plan which included corporations etc. financed by the public as well as the private sectors and enjoyed more administrative autonomy than other public undertakings. Ibid., 9.

(6) Ibid., 4-5.
that the Second Plan must provide many more jobs than the addition to labour force which was expected to be 2.6 million workers.

The Second Five Year Plan was revised in November 1961 because of (i) price increases since its original formulation in 1959; (ii) under-estimation of the costs of certain projects as proved by engineering reports later on; (iii) a higher than expected rate of population growth as revealed by the 1961 census; and (iv) some expansion in the physical dimensions of the Plan. Consequently, the total Plan outlay was increased from Rs. 1900 crores to Rs. 2300 crores. The Revised Plan envisaged a much larger outlay in the public sector viz. Rs. 1240 crores and slightly larger outlays in the semi-public and private sectors i.e. Rs. 379 crores and 680 crores respectively. The national income was to increase by 24% and per capita income by 12%. It was expected to create employment for 3 million persons. (7)

Table 19 gives the division of investment as between private and public sector, per capita investment and the rate of capital formation in the two Plans. According to the table the per capita investment in Pakistan's Second Plan was proposed to be much higher than the per capita investment in India's Second Plan. It was still higher according to the Revised Estimates. The public sector in Pakistan's First Plan occupied a more important place with 65% of the total investment than it did in India's Second Plan where it had been 58.4% of the total investment and where the

(7) Highlights of the Second Five Year Plan, Government of Pakistan (Rawalpindi, 1962) 6. Hereafter in the text the Second Five Year Plan (Revised Estimates) will be referred to as 'Revised Estimates'.

### Table 19

<table>
<thead>
<tr>
<th></th>
<th>First Five Year Plan 1955-60</th>
<th>Second Five Year Plan 1960-65 Proposed</th>
<th>Second Five Year Plan 1960-65 Revised Estimates</th>
<th>India's Second Five Year Plan 1956-61 Realized</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Investment:</strong></td>
<td>971.1</td>
<td>1900</td>
<td>2300</td>
<td>6750</td>
</tr>
<tr>
<td>a. Public (Rs. crores)</td>
<td>631 (65%)</td>
<td>975 + 175 (60.5%)</td>
<td>1240 + 221 (63.5%)</td>
<td>3650 (58.4%)</td>
</tr>
<tr>
<td>b. Semi Public</td>
<td>-</td>
<td>325</td>
<td>378</td>
<td>-</td>
</tr>
<tr>
<td>c. Private</td>
<td>340 (35%)</td>
<td>600 + 150 (39.5%)</td>
<td>680 + 157 (36.5%)</td>
<td>3100 (41.6%)</td>
</tr>
<tr>
<td><strong>Per Capita Investment (Rs.)</strong></td>
<td>118</td>
<td>213.7</td>
<td>245.2</td>
<td>164.8</td>
</tr>
</tbody>
</table>

Source: (i) The First Five Year Plan 1955-60, Government of Pakistan (Karachi, 1957) Table 1, p. 15.


(iv) The Third Five Year Plan 1960-65, Government of India (New Delhi, 1961) Table 1, p. 32.
expansion of the public sector vis-a-vis the private sector was one of the fundamental objectives. (8) In the Revised Estimates the absolute share of the public sector was much higher though the relative share was a little less than in the First Plan.

Pattern of Development

Quantitative Allocation

For the purpose of studying the pattern of sectoral allocation in Pakistan, we can divide the economy into three sectors viz. (a) social overhead capital, (b) industry and (c) agriculture. The distribution of expenditure among these sectors makes clear the quantitative aspect of priorities during the two Plans. According to the First Plan expectations, the total public expenditure was to be Rs. 935.2 crores - the actual expenditure coming to about Rs. 750 crores and 185.2 crores being the expected shortfall. Expenditure in the private sector, on the other hand, was to be of the order of Rs. 330 crores. One third of this i.e. Rs. 110 crores, was expected to be invested in large scale industry. Because of the encouragement resulting from public housing and settlement programme, about a quarter of the total private investment i.e. Rs. 85 crores, was expected to be spent in construction. The remainder 135 crores were to be spent on transport equipment, minerals, agriculture, trade and commerce etc. (9) It was possible to add up the first two items of the

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(9) FFYP, 16.
private expenditure with the Government programme but it was not possible to break up the third. Hence the quantitative allocation could not be known for the entire Plan and main reliance has to be placed on the public sector allocations for understanding the pattern envisaged.

(a) **Social Overheads.** Out of the total investment in the public sector (Table 20) about 66.5% was allocated to social overheads, including water and power, transport and communication, housing and settlement, education, health and social welfare. Social overhead capital is usually defined as comprising those basic services without which primary, secondary and tertiary productive activities cannot function. In its wider sense it may include anything from law and order to social services but the hard core of the concept can probably be restricted to transportation and power — the two biggest heads under this sector in the First Plan — though we have included education, health, housing and social services also. Water and power along with transport are the most important economic overheads and claimed about 70% of the outlay, 30% being the investment on the other overheads.

In the Second Plan also the highest priority in quantitative terms was attached to Social Overhead Capital in the sense that 58.3% of the total investment of Rs. 1900 crores (75.4% of the public expenditure) was allocated to this sector. The share of overheads in absolute terms was Rs. 1108 crores, much higher than the First Plan allocation, while the relative share was also higher by about 8.9%. Here also water-power and transport were the two
<table>
<thead>
<tr>
<th>Source</th>
<th>1955-60 (in crores)</th>
<th>1960-65 (in crores)</th>
<th>Revised Estimates (in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public 1. Agriculture &amp; Village Aid</td>
<td>150.5</td>
<td>214.0</td>
<td>88.0</td>
</tr>
<tr>
<td>Village Aid etc.</td>
<td>29.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Agriculture</td>
<td>120.7</td>
<td>166.0</td>
<td>88.0</td>
</tr>
<tr>
<td>Total First Plan</td>
<td>300.2</td>
<td>380.0</td>
<td>174.5</td>
</tr>
<tr>
<td>Industry: 2. Industry: Including fuels &amp; minerals</td>
<td>162.2</td>
<td>25.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Comprehensive Transport &amp; Communication</td>
<td>166.6</td>
<td>199.0</td>
<td>110.0</td>
</tr>
<tr>
<td>Housing &amp; Settlement</td>
<td>85.1</td>
<td>89.5</td>
<td>113.5</td>
</tr>
<tr>
<td>Water &amp; Power</td>
<td>269.7</td>
<td>314.0</td>
<td>284.0</td>
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<tr>
<td>Education &amp; Training</td>
<td>58.0</td>
<td>89.0</td>
<td>99.0</td>
</tr>
<tr>
<td>Social Welfare &amp; Training</td>
<td>28.8</td>
<td>35.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Total Second Plan</td>
<td>525.2</td>
<td>275.0</td>
<td>125.5</td>
</tr>
<tr>
<td>Shortfall</td>
<td>150.2</td>
<td>25.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Estimated net</td>
<td>750.0</td>
<td>975.0</td>
<td>150.0</td>
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</table>

**Sources:**
1. The First Five Year Plan 1955-60, Government of Pakistan (Karachi, 1957) Table 1, p. 16.
most important fields having 17.8% and 17.6% of the total Plan investment respectively. The other overheads as for instance, education, health, social service etc. require more of organizational changes along with some investment.

In the Revised Estimates also the scheme of priorities was almost the same as in the Second Plan with social overheads at the top, though the absolute as well as the relative shares were higher in the former, being Rs. 1345 crores and 59.5% respectively. About 77.4% of the public expenditure was allocated to the social overheads while in the Second Plan it was 75.4%. The allocation to water and power was increased to 19.1%; to transport and communication, Housing and Settlement it remained roughly the same while 'Education and Training' and Health it was reduced to 4.6% and 1.8% respectively instead of 5.2% and 2.1% in the Second Plan.

The development of overheads is a pre-requisite to economic development. The gains, whether in the short run or in the long run, from such development are tremendous in terms of increasing industrial and agricultural production. The more inadequate the overheads the higher the cost of production. Scarcity of electricity, means of transport, lack of irrigation facilities, training facilities etc. are big bottlenecks to development in Pakistan. The development, therefore, may move at an extremely slow pace if unaccompanied with the development of social overhead capital.

(b) **Industry.** The second sector is industry, including fuels and minerals. The First Plan proposed to devote about 17.4% of the public expenditure to this sector and about 33% of the
private expenditure to the large scale industry. A considerable part from the unclassified private expenditure was also expected to go to industry and fuels etc. (10) On the whole the programme for industry was of the order of Rs. 358.8 crores. (11) The break-up being:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Scale Industry</td>
<td>Rs. 300 crores</td>
</tr>
<tr>
<td>Small Scale Industry</td>
<td>Rs. 11.8 &quot;</td>
</tr>
<tr>
<td>Minerals &amp; Fuels</td>
<td>Rs. 47 &quot;</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>358.8 &quot;</strong></td>
</tr>
</tbody>
</table>

The investment in large scale industry was expected to increase the value of the output from Rs. 340 crores in 1954 to Rs. 640 crores in 1959-60 meaning an increase of Rs. 300 crores. (12) Direct employment in large scale industry was expected to increase by 2,35,000 besides the indirect employment which was not measurable.

The results of the small scale industry investment programme cannot be measured easily because these are spread over an enormous number of small units. All the same an increase in the value of production of the order of Rs. 250 crores was expected to result due to an improved flow of raw materials and direct investment. (13) As regards minerals and fuels, the production of coal was to be doubled and that of chromite increased by 40% in addition to a considerable expenditure on oil and gas prospecting. (14)
Of the proposed investment, about Rs. 134 crores was to be in the producers' goods industries as against the rest in consumers' goods industries (Table 21). This amounted to about 42.9% of the expenditure on the industry sector excluding the outlay on minerals and fuels. Major investment in producers' goods, was in cement, heavy chemicals, fertilizers, engineering etc.

In the Second Plan the absolute share of industry was much higher than it was during the First Plan. The total investment in the sector during the Second Plan was Rs. 490 crores, out of a total of Rs. 1900 crores i.e. about 25.7%. As a result of this the contribution to gross national product from large scale and medium industries was expected to increase by about 60% and from small scale industry by 25%. Employment in the former was expected to increase by 18,000 during the plan period and by a still larger number in the latter. (15) Out of Rs. 490 crores, Rs. 85 crores were to be spent on minerals and fuels. The search for oil and gas in the Second Plan also, was expected to dominate the commitments. Again it was proposed to increase the production of coal by 100%, touching the target of 1.5 million tons per year by 1965. (16) For chromite the target was fixed at 35,000 tons. Iron ore being the most important mineral, examinations were in progress, with the U.N. assistance, of the technical and economic feasibility of a steel mill based upon domestic iron ore and coal. (17)

(15) SFYP, 260.
(16) Ibid., 271.
(17) Ibid., 273.
The Plan attached special importance to the producers' goods industries. It realized that in view of the long run requirements increasing importance should be attached to producers' goods industries which necessitated a measure of austerity in consumption to make the country less dependent on imports. (18) Out of an investment of Rs. 339 crores (19) in industry, Rs. 170.3 crores were to be spent on producers' goods, that is about 50.1%. The detailed break-up of Rs. 170.3 crores is given in Table 21. The Revised Estimates further revised upwards the allocation to 'Industry'. The total investment in the sector was raised to Rs. 612 crores which was about 26.6% of Rs. 2300 crores, the total outlay. Out of Rs. 612 crores, Rs. 100 crores were to be spent on 'Minerals & Fuels'.

The pattern and rapidity of growth depends greatly on the inter-sectoral allocation of the resources. The industry sector is the most dynamic sector and within this the main lever for growth acceleration normally is the producers' goods industries complex along with fuels etc. Hence the dichotomy between consumers' and producers' goods becomes significant from the viewpoint of economic growth. Allocation to consumers' goods means allocation for current consumption whereas allocation to producers' goods means providing for future consumption. Their relative

(18) Ibid., 259.
(19) The detailed break-up of the expenditure on 'Industry' is

<table>
<thead>
<tr>
<th>Description</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuels &amp; Minerals Industry</td>
<td>Rs. 85 crores</td>
</tr>
<tr>
<td>Working Capital</td>
<td>Rs. 339 &quot;</td>
</tr>
<tr>
<td>Revolving Fund for Working Capital</td>
<td>Rs. 50 &quot;</td>
</tr>
<tr>
<td>Working Capital</td>
<td>Rs. 16 &quot;</td>
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Table 21
Investment in Consumers and Producers Goods
Industries in the Two Plans

Consumers' Goods

<table>
<thead>
<tr>
<th>I Plan</th>
<th>II Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Food, Beverage &amp; Tobacco including Agri. Processing</td>
<td>48.5</td>
</tr>
<tr>
<td>2. Textiles</td>
<td>69.5</td>
</tr>
<tr>
<td>3. Wood work &amp; Furniture</td>
<td>0.2</td>
</tr>
<tr>
<td>4. Footwear</td>
<td>-</td>
</tr>
<tr>
<td>5. Paper &amp; Paper Products</td>
<td>18.4</td>
</tr>
<tr>
<td>6. Leather</td>
<td>2.8</td>
</tr>
<tr>
<td>7. Rubber</td>
<td>4.4</td>
</tr>
<tr>
<td>8. Printing</td>
<td>1.9</td>
</tr>
<tr>
<td>10. Small-scale Industries</td>
<td>11.8</td>
</tr>
<tr>
<td>11. Industrial Estates</td>
<td>7.7</td>
</tr>
<tr>
<td>12. Productivity Centre</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Producers' Goods

<table>
<thead>
<tr>
<th>I Plan</th>
<th>II Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Chemicals</td>
<td>52.3</td>
</tr>
<tr>
<td>2. Petro-Chemicals &amp; Petroleum</td>
<td>29.1(a)</td>
</tr>
<tr>
<td>3. Non-metallic Mineral Products</td>
<td>14.1</td>
</tr>
<tr>
<td>4. Engineering Industries</td>
<td>34.7</td>
</tr>
<tr>
<td>5. Electrical Industries</td>
<td>3.8</td>
</tr>
</tbody>
</table>

| Total | 134.0 | 170.3 |

(a) This includes the investment in 'Liquid Fuels' and 'Natural Gas'.
(b) This includes the investment in 'Basic metal-industries', 'metal products', 'machinery' and 'Transport Equipment'.

These had to be grouped because of the variations in classification between the two Plans.

shares in the Plans show relative importance attached to current as against future consumption or vice versa. With variations in relative emphasis on producers' and consumers' goods during the Plans entirely different patterns of growth can be made to emerge. So it becomes necessary to study the allocation of investment over these two separately, in order to understand the pattern of growth likely to emerge as a result of the plans. The share of producers' goods in industry was increased relatively as well as absolutely in the Second Plan - the percentage increasing from 42.9 in the First Plan to 50.1% in the Second Plan and the absolute share from Rs. 134 crores to Rs. 170.3 crores. (20)

(c) Agriculture. The last sector is agriculture. Though statements are to be found all along the two Plans that agriculture had been given top priority, (21) yet quantitatively at least it comes in the end. This is so because agricultural development depends to a very great extent upon land reorganization, improvement in technique etc. And capital intensive irrigation, drainage schemes, fertilizer plants etc. are also vital for agricultural development but they are included under social overhead capital or industry. The investment in agriculture including Village AID during the First Plan was expected to be of the order of Rs. 150.5 crores - Rs. 120.7 crores for agriculture and Rs. 29.8 crores for Village AID. This was in the public sector and constituted 16.1%

(20) See Table 21.

(21) FFYP, 18, 31, 44, 395 and SFYP, 5.
of the public sector expenditure. (22) As a result of this the production of foodgrains was expected to increase by 9% and that of fibres and miscellaneous crops by 17.3%. (23) The Plan made provisions for research, mechanization of agriculture, marketing, fisheries, animal husbandry, range and farm management, soil survey and conservation, training of staff etc. It was felt strongly, that agriculture in no case should lag behind industry - rather the two should develop side by side. (24) Any lagging behind of the agriculture sector would create difficulties in the fulfillment of the programme for industrial development.

The Second Plan envisaged a more ambitious programme than that of the First Plan on the assumption that general economic development would not be smooth without an increase in agricultural productivity. (25) So the agricultural programme aimed at self-sufficiency in food, raising the dietary standards, increasing the output of cash crops, stepping up the exports and increasing employment. (26) In order to achieve these ends the Plan allocated 15.9% of the total expenditure to agriculture as contrasted to 13% in the First Plan. (27) The absolute amount to be spent on agriculture and Village AID during the Plan was Rs. 302 crores compared with Rs. 150.5 crores in the First Plan. This was expected

(22) It being impossible to find the private sector expenditure on agriculture.

(23) FFYP, 219.

(24) Ibid., 16, 213.

(25) SFYP, 127.

(26) Ibid., 127.

(27) Ibid., 12. 16.1% mentioned earlier being the share of agriculture out of the public sector alone.
to result in a 21% increase in the foodgrains, 22.7% increase in fibres and other crops, 24% in fish and 28% in timber. (28) These targets were much more ambitious than those of the First Plan - specially in foodgrains because of the over-riding objective of self-sufficiency in foodgrains. The 'Revised Estimates' raised the allocation to agriculture from Rs. 302 crores to Rs. 342 crores, though the relative share fell from 15.9% to 14.9%. (29)

The ordering of expenditure in different sectors as ratios of the total development expenditure gives a clear view of the allocation in the two Plans. But quantitative treatment tells us only the various priorities attached to different sectors and these can be varied by changing the criteria on the basis of which these are determined because different criteria may give a different set of priorities. Therefore, basically, it is the criteria which through their determination of priorities give shape to the pattern of growth.

Criteria for Sectoral Allocation

The question of priorities arises because the resources available are not adequate to achieve everything considered desirable. The problem is of spreading limited means over unlimited and competing ends in such a manner that the total value of the output is maximized. This process of allocation in Pakistan has two essential elements. The first is the idea of consistency - of choosing a set of investments which, when put through, do not

(28) Ibid., 134.
result in specific shortages of materials, equipment, power, transport and above all markets meaning thereby that demand and supply are balanced. (30) The second idea is that of efficiency which means choosing those alternatives which will result in maximum progress towards the development objectives. (31) And these two ideas were explicitly adopted as basic for investment allocation in Pakistan's First Plan. (32)

As regards consistency the First Plan stated it clearly that applied to the sectors, it refers both to the 'demand for the output and to supplies of the various goods and services.' (33) In short the consistency criterion visualizes a complete absence of surpluses, shortages and imbalances - the supply balancing fully with the demand. The Second Plan reaffirms the consistency criterion. (35)

The criterion of efficiency is the other one used in the Pakistan Plans. The criterion of 'efficiency' is an extremely general and flexible one and can mean to include anything, but

(30) Government of Pakistan, n. 1, 79. Consistency has been defined by Chenery as "... which refers to the balancing of demand and supply, both for produced commodities and primary factors. ..." H. B. Chenery, "Development Policies and Programs," Economic Bulletin for Latin America (Santiago, Chile, March 1958) 60.

The problem of investment criteria has been discussed more elaborately in Chapter VI, Sec. II.

(31) FFYP, 79.
(32) Ibid., 77-9.
(33) Ibid., 79.
(34) Ibid., 79.
(35) SFYP, 20.
normally an efficient allocation can be defined as that which results in progress towards the objectives of the Plans at the minimum cost. And this will be so if the resources cannot be gainfully transferred from one sector to another. A transfer of resources is justified when the probable returns per unit of costs of the marginal scheme are lower in the sector where expansion is proposed than elsewhere. (36) Such a judgement requires a careful comparison of costs and returns of the schemes in the different sectors. (37)

The Report of the Panel of Economists on the Second Plan realized that it was not possible to recommend a single theory for allocation but ideally the marginal returns in all alternative uses should be equalized. (38) And for this a few criteria were suggested. Apart from the 'balanced growth' criterion the others were: maximum conservation of foreign exchange, minimum capital output ratio and the maximum creation of employment. (39) The Second Plan also aimed at minimizing the capita-output ratio and the gestation period. (40)

In addition to these criteria, balanced growth provided the framework within which economic development in Pakistan was to take place. The First Plan is replete with statements aiming at a balance in the growth pattern or expressing the superiority

(36) Ibid., 78.
(37) Ibid., 78.
(39) Ibid., 20.
(40) SFYP, 8.
of balance over its alternatives. (41) The balance has to be achieved in the development of agriculture and industry, (42) between consumers' goods and producers' goods industries, (43) and above all among the different regions of the country. (44) The Report of the Panel of Economists on the Second Plan recommended sectoral and regional balanced growth as a criterion for determining plan priorities. (45) The Second Plan realized it to be the key issue by aiming at a "substantial increase in industrial production" while at the same time attaching the "highest priority to increasing agricultural production." (46) Moreover the Second Plan did express its concern about maintaining a balance between the share of production that should go to the consumers' goods industries and the share that should go to build up the nation's capital stock. (47)

Though balanced growth was adopted as the framework for economic growth, there is little clarity about the use of the concept. At places, balance was used to mean 'equalization' while at other places it meant the 'optimum' and at still others 'consistency'. The impression conveyed by such an imprecise and

(41) FFYP, 14, 15, 17, 62, 85, 397, 402, 419.
(42) Ibid., 16, 213, 88.
(43) Ibid., 396.
(44) Ibid., 18, 20, 74, 414.
(46) SFYP, 5.
(47) Ibid., 9.
loose use of the concept is that 'balanced growth' is more of a slogan or a catchword rather than a policy for economic development.

**Regional Allocation**

One of the most important problems faced by planning in Pakistan is the geographic disparity of East and West Pakistan. Planning in Pakistan, will have no meaning if it ignores the regional disparities and fails to evolve a suitable pattern of regional development. The First Plan realized this fully and decided to increase rapidly the rate of development in East Pakistan, (48) so as to achieve a balance in the development of the two regions. This objective was reaffirmed in the Report of the Panel of Economists on the Second Plan and the Second Plan itself. (49) The question of regional balance has to be viewed in a rather long term perspective and the Plans are only a first step towards that.

The First Plan made provisions for the greatest possible increase in the rate of development of East Pakistan. (50) The programme proposed for East Pakistan was the maximum feasible and to that end 46.9% of the total public expenditure was

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(48) FFYP, 13, 18.

(49) SFYP, 397 and Report of the Panel of Economists on the II Plan, 15.

(50) FFYP, 19.
allocated as against 47% allocated to West Pakistan (Table 23). (51) In spite of this the development rate by 1960 was not expected to increase by as much as was desirable. (52) The Second Plan's approach was to 'promote the mobility of labour and capital between various regions, to build social and economic overheads and to provide incentives for investment in less developed areas.' (53) Special importance was therefore attached to transport on one hand and reduction in transport costs between East and West Pakistan on the other. The Second Plan provided for rapid development of power, transport, drainage and flood control, irrigation etc. in the Eastern Wing. (54) Though the absolute share of East Pakistan in public expenditure was increased considerably during the Second Plan as compared to the First Plan, the relative share was decreased to 45.9% against the First Plan's

(51) The population ratios in the two regions according to the census of 1951 and 1961 were:

<table>
<thead>
<tr>
<th></th>
<th>E. Pak</th>
<th>W. Pak</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>4.215</td>
<td>3.408</td>
</tr>
<tr>
<td>1961</td>
<td>5.08</td>
<td>4.29</td>
</tr>
</tbody>
</table>

Sources: i. The First Five Year Plan, Government of Pakistan (Karachi, 1957) 189.


(52) FFYP, 20.

(53) SFYP, 398.

(54) Ibid., 398.
<table>
<thead>
<tr>
<th></th>
<th>East First Plan</th>
<th>West First Plan</th>
<th>East Second Plan</th>
<th>West Second Plan</th>
<th>Revised Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pakistan</td>
<td>Karachi</td>
<td>Pakistan</td>
<td>Karachi</td>
<td>Central Admin. Areas</td>
</tr>
<tr>
<td>1. Agriculture &amp; Village Aid</td>
<td>66</td>
<td>60</td>
<td>3</td>
<td>129</td>
<td>100</td>
</tr>
<tr>
<td>Agriculture</td>
<td>52</td>
<td>47</td>
<td>3</td>
<td>102</td>
<td>74.1</td>
</tr>
<tr>
<td>Village Aid</td>
<td>14</td>
<td>13</td>
<td>-</td>
<td>27</td>
<td>25.9</td>
</tr>
<tr>
<td>2. Industry (including fuels and minerals)</td>
<td>93</td>
<td>38</td>
<td>7</td>
<td>138</td>
<td>78.5</td>
</tr>
<tr>
<td>3. Social Overhead Capital</td>
<td>193</td>
<td>255</td>
<td>35</td>
<td>483</td>
<td>349.8</td>
</tr>
<tr>
<td>Water and Power</td>
<td>83</td>
<td>133</td>
<td>1</td>
<td>217</td>
<td>151.9</td>
</tr>
<tr>
<td>Transport &amp; Comm.</td>
<td>45</td>
<td>65</td>
<td>10</td>
<td>120</td>
<td>81.7</td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>24</td>
<td>22</td>
<td>3</td>
<td>48</td>
<td>40.0</td>
</tr>
<tr>
<td>Health</td>
<td>12</td>
<td>12</td>
<td>-</td>
<td>24</td>
<td>15.8</td>
</tr>
<tr>
<td>Social Welfare etc.</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>4.4</td>
</tr>
<tr>
<td>Total</td>
<td>352</td>
<td>353</td>
<td>45</td>
<td>750</td>
<td>528.4</td>
</tr>
<tr>
<td>Percentages</td>
<td>46.9</td>
<td>47.1</td>
<td>6</td>
<td>100</td>
<td>45.5</td>
</tr>
</tbody>
</table>

Note: Figures for the First Plan relate to the last three years of the Plan only.

Sources:
1. The First Five Year Plan 1955-60, Govt. of Pakistan (Karachi, 1957) Table 2, p. 19.
2. The Second Five Year Plan 1960-65, Govt. of Pakistan (Karachi, 1960) Table 2, p. 409.
46.9%, while in the Revised Estimates the share of East Pakistan went down still further to 43.7% (Table 22). (55)

The First Plan proposed roughly equal expenditure for East and West Pakistan, being 46.9% and 47% of the total public expenditure respectively, though there were differences in sectoral allocations (Table 22). The allocations for agriculture and industry were greater for East Pakistan whereas for social overhead capital the allocation was greater for West Pakistan. (56) Further, under social overhead capital, the expenditure on water-power and transport-communications was much greater for West Pakistan while allocation to others was almost equal all along for both the regions. (57) The position was changed a little in the Second Plan. The allocation for agriculture was proposed to be greater for West Pakistan than for East whereas for industry it was greater for East. As regards Social Overhead Capital, the expenditure was proposed to be exactly the same for both the wings (Table 22). While the allocation for water-power, education, health, social welfare etc., was more or less the same in the two wings, the transport and communication programme was larger for West Pakistan owing to the much larger area and heavier transport requirements (58) while expenditure on housing and settlement was greater in East

(56) See Table 22, which gives the regional allocation in the two Plans.
(57) Share of Karachi, treated as a separate area, was 6% of the total public expenditure.
(58) SFYP, 409.
Pakistan. Taking the Plan on the whole, the proposed expenditure was larger for East Pakistan than for West Pakistan while in First Plan the two were almost the same—being Rs. 352 and Rs. 353 crores respectively, as against Rs. 528 and Rs. 510 crores respectively in the Second Plan. In the Revised Estimates on the other hand, the allocation to agriculture for West Pakistan was greater while to Industry it was greater for East Pakistan. The major change took place in Social Overheads where the allocation was much greater for West Pakistan than for East Pakistan. In variance with the Second Plan programme, the 'Revised Estimates' allocation to West Pakistan was greater than East Pakistan for all the Social Overheads. The total expenditure also was much larger for West Pakistan, being 53.8% (Rs. 787.8 crores) of the total public expenditure, as compared with 43.7% (Rs. 639.1 crores) in East Pakistan. (59) It was difficult to give the detailed breakdown of anticipated private investment on a regional basis. But as a result of the encouragement to private investment in East Pakistan, it might get a substantial proportion of such investment. It was estimated that the total investment, public as well as private, in East Pakistan might be of the order of Rs. 800 crores, much higher than the actual investment in the Second Plan. (60)

An effort is being made to develop some producers' goods industries in East Pakistan also. The share of East Pakistan in the programme for producers' goods industries during the Second

(60) SFYP, 410.
Plan happened to be equal to 29.5% as compared to 41.4% of West Pakistan and 29.1% of Karachi (Table 23). The investment in Basic Metal Industries and Transport equipment was greater in East Pakistan whereas for all the other industries it was greater for West Pakistan. But the position was just the reverse in the case of consumers' goods industries. East Pakistan got about 59.7% of the total investment on consumers' goods whereas West Pakistan got about 30.1%. Hardly in any industry the proposed investment was substantially greater in West Pakistan than in East Pakistan. The major industries getting most of the investment in East Pakistan were food manufacturing, textiles, pulp, paper manufacturing etc. The share of Karachi in this sector was only about 10.2% as compared to 29.1% in producers' goods industries. (61)

The Planning Commission did not at first believe that there was any significant difference between the potential economic opportunities available in the two regions. (62) The existing disparity in the rate of development is a result of certain historical factors and hence a temporary phase. It was felt that with some special effort on the part of the people as well as government it should not be difficult to equate the rates of development in the two regions. (63) The position changed altogether in the Second Plan where the planners realized that

(61) Though Karachi has been treated as a separate area; geographically, socially and economically, it is a part of West Pakistan.

(62) FFYP, 75.

(63) Ibid., 75.
### Table 23
Regional Allocation Between Consumers' and Producers' Goods Industries in the Second Plan

**Consumers' Goods**

<table>
<thead>
<tr>
<th></th>
<th>East Pakistan</th>
<th>West Pakistan</th>
<th>Karachi</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Manufactures</td>
<td>22.4</td>
<td>13.3</td>
<td>1.8</td>
<td>37.5</td>
</tr>
<tr>
<td>Beverages</td>
<td>.2</td>
<td>.2</td>
<td>-</td>
<td>.4</td>
</tr>
<tr>
<td>Tobacco</td>
<td>.5</td>
<td>1.0</td>
<td>.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Textiles</td>
<td>48.6</td>
<td>16.3</td>
<td>7.9</td>
<td>72.8</td>
</tr>
<tr>
<td>Footwear</td>
<td>.4</td>
<td>.4</td>
<td>.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Wood &amp; Cork</td>
<td>.5</td>
<td>.3</td>
<td>.8</td>
<td>.8</td>
</tr>
<tr>
<td>Furniture</td>
<td>.3</td>
<td>.2</td>
<td>.8</td>
<td>.2</td>
</tr>
<tr>
<td>Paper etc.</td>
<td>5.8</td>
<td>.5</td>
<td>-</td>
<td>6.3</td>
</tr>
<tr>
<td>Printing</td>
<td>.3</td>
<td>1.4</td>
<td>.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Leather</td>
<td>1.5</td>
<td>.95</td>
<td>.05</td>
<td>2.5</td>
</tr>
<tr>
<td>Rubber</td>
<td>.1</td>
<td>.1</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2.4</td>
<td>5.7</td>
<td>1.2</td>
<td>9.3</td>
</tr>
<tr>
<td>Small Scale Industries</td>
<td>12.5</td>
<td>10.0</td>
<td>2.5</td>
<td>25.0</td>
</tr>
<tr>
<td>Industrial Estates</td>
<td>6.0</td>
<td>1.5</td>
<td>-</td>
<td>7.5</td>
</tr>
<tr>
<td>Total</td>
<td>101.7</td>
<td>52.8</td>
<td>15.9</td>
<td>169.4</td>
</tr>
<tr>
<td>Percentages</td>
<td>59.7</td>
<td>30.1</td>
<td>10.2</td>
<td>100</td>
</tr>
</tbody>
</table>

**Producers' Goods**

<table>
<thead>
<tr>
<th></th>
<th>East Pakistan</th>
<th>West Pakistan</th>
<th>Karachi</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>24.0</td>
<td>28.3</td>
<td>.6</td>
<td>54.9</td>
</tr>
<tr>
<td>Petroleum chemical</td>
<td>-</td>
<td>7.8</td>
<td>15.5</td>
<td>23.3</td>
</tr>
<tr>
<td>Non-metallic</td>
<td>4.3</td>
<td>15.2</td>
<td>7.9</td>
<td>27.4</td>
</tr>
<tr>
<td>Basic metal industries</td>
<td>10.5</td>
<td>5.2</td>
<td>20.4</td>
<td>36.1</td>
</tr>
<tr>
<td>Metal products</td>
<td>1.9</td>
<td>2.3</td>
<td>1.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Machinery</td>
<td>3.9</td>
<td>5.3</td>
<td>.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>1.7</td>
<td>3.6</td>
<td>.9</td>
<td>6.2</td>
</tr>
<tr>
<td>Transport equipment</td>
<td>3.7</td>
<td>1.7</td>
<td>1.2</td>
<td>6.6</td>
</tr>
<tr>
<td>Total</td>
<td>50.0</td>
<td>69.4</td>
<td>49.9</td>
<td>170.3</td>
</tr>
<tr>
<td>Percentages</td>
<td>29.5</td>
<td>41.4</td>
<td>29.1</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** The Second Five Year Plan 1960-65, Government of Pakistan (Karachi, 1961) p. 231, Table 1.
economic development never takes place simultaneously and at the same rate in all the regions. (64) Contrary to that, regional inequalities tend to widen during the initial phases of development and it is only later that these may be narrowed down. In view of this and the structure of the Pakistan economy, the planners feel, it would be wellnigh impossible to predict an equalization of income levels between the two provinces. What is important is to maximize the rate of development in the underdeveloped regions of the country. (65)

The Pattern of Development

Planning is expected to change considerably the structure of Pakistan's economy. It is realized that industrialization is a necessary part and ultimately a main objective of economic development. (66) The First Plan emphasized the importance of social overhead capital and attached to it the highest priority in quantitative terms. In the industry sector the emphasis undoubtedly was on consumers' goods industries. Realization of the First Plan was supposed to change the entire pattern of the country's large scale industry, leaving cotton textiles at the top in terms of capital invested and increasing considerably the output of fertilizers, sugar, cement, ship-building etc. (67)

(64) SFYP, 397.
(65) Ibid., 397-8.
(66) FFYP, 8.
(67) Ibid., 44.
In the Second Plan the importance of producers' goods was recognized. (68) The allocation to the producers' goods sector was increased absolutely as well as relatively in order to make the country less dependent on imports. The Plan envisaged the development of steel industry to serve as a nucleus for other heavy engineering industries and to provide a base for future development. (69) This industry normally serves as an index of a country's maturity and it was proposed to develop it in Pakistan on the basis of indigenous coal and iron ore. But here also social overhead capital came in for the largest amount of investment.

Broadly the pattern of development envisaged laid initial emphasis on providing the social overhead capital and with this

(68) The following statements from the SFYP illustrate the point.

PP. 15. "Compared with the First Plan investment in Chemicals, engineering, metallurgy and non-metallic minerals, notably cement will be larger while investment in textiles, food and agricultural processing, wood and paper will be smaller. These priorities are in line with the need to broaden the industrial base by increasing the output of basic producer goods."

PP. 222. "It is necessary, however, that in view of the long run requirements, increasing importance should attach to producer goods industries and appropriately high targets have been set for development of such industries."

PP. 259. "Nevertheless, a measure of austerity in consumption will continue to be necessary in the interest of encouraging the establishment of growth of producer goods industries to make the country less dependent on imports for development. The manufacture of a series of producer goods and spare parts within the country is included in the programme."

(69) Ibid., 247.
in view all along, this sector was given the highest priority in quantitative terms.

Though the provision of social overhead capital to the existing and the upcoming industries and agriculture on the whole was the first step in the development sequence, yet the outstanding feature of the changing structure of the economy was the rapidly increasing importance of large scale and producers' goods industries. In 1955, at the beginning of the First Plan, large scale industries contributed less than 5% to gross national product, in 1960 this share rose to over 8% and in 1965 it is expected to reach 12%. (70) A diversified industrial set-up was visualized with large scale replacement of imported consumer and producer goods through indigenous manufactures. Almost complete replacement was thought to be possible in the case of certain consumer and producer goods. (71)

Though agriculture got the smallest allocation in quantitative terms, yet its importance was not ignored. The Second Plan aimed at achieving self-sufficiency in foodgrains. Further the principle was accepted that the development of industry itself required a simultaneous though not proportionate development of agriculture. The Plan thus envisaged a decline in the share of agriculture in gross national income from 55% as it was in 1960 to 52% in 1965. (72)

On the whole, Pakistan envisages an industrialized economy meeting its own requirements of consumers' and producers' goods

(70) Ibid., 23.
(71) Ibid., 219.
(72) Ibid., 23.
to the extent possible, by substituting domestic production for imports. The industrial programme provided for continued reliance on indigenous raw materials. (73) Within a period of 25 years the requirements of machinery and equipment will certainly increase vastly. Planning should prepare a ground from now onwards for the production of machinery, tools, equipment etc. required for producer goods. (74) The Second Plan attached special importance to the development of producers' goods industries and it was proposed to make the country less dependent on imports with regard to producers' goods. The increase planned in agricultural production was expected to lead to a reduction in the imports of foodgrains and provide increasing supplies of raw materials to the industry. A primary objective of the Plan was to make the country self-sufficient in foodgrains and to improve the dietary standards. (75) Apart from the direct investment in agriculture, considerable organizational and technological improvements - such as the introduction of co-operative marketing, farm management surveys, mechanization of agriculture, provision of storage, research and rural credit facilities, distribution of fertilizers and the implementation of land reforms including ceilings on ownership, abolition of Jagirs, tenancy legislation and consolidation of holdings - were to be

(73) Ibid., 96.
(74) Ibid., 220.
(75) Ibid., 133.
introduced, thereby changing agriculture from subsistence farming to modern farming. And the two sectors, agriculture and industry, were to develop not one at the cost of another but in balance with each other.

In order to achieve any development in agriculture or industry the provision of social overhead capital is essential and Pakistan's Plans attached considerable importance to this sector. The provision of social overheads, in particular the provision of power and transport, was treated as the first link in the development sequence.

**Performance**

The First Plan was supposed to prepare the ground for rapid industrialization of the country by providing the social overheads and improving the agriculture. It had aimed at increasing the national income by 15%. Against this expectation the actual achievement was of the order of 11%, resulting in a per capita increase of about 3% compared to 7% expected in the Plan. (76)

The most disappointing feature of the Plan was the poor performance of 'Agriculture'. The Plan target was to increase foodgrains production by 9% over production during the base period (1948-49 to 1954-55). But during the first four years of the Plan, the increase in foodgrain production, compared to the base period, was negligible. This failure of the agriculture

sector resulted in a significant increase in the import of foodgrains—the imports were 70.4% higher than planned. (77) The main factors responsible for the shortfall in this sector were: poor weather conditions, deterioration of land due to salinity and waterlogging and slow rate of implementation of the agricultural development programme. (78)

The performance of the industrial sector was rather heartening because good results were achieved with considerably less new investment than what had been planned. The results were especially good in the case of cotton, jute and sugar. (79) In spite of a shortage of foreign exchange, production in large and medium scale industry increased by about 80% during 1954-60. Judged on this basis, the large and medium scale industry more than fulfilled the expectations since the Plan expectation was an increase of 75%. (80) In Fuels and Minerals, only the production of natural gas registered a considerable increase. Development of coal mining was discouraging and during the first four years it increased only by 13% while the provision was for doubling the production of coal. The production of oil increased only by 12%. (81)

(77) Ibid., 2.
(79) SFYP, 2.
(80) Government of Pakistan, n. 78, 25; and FFYP, 17.
The installed power capacity increased almost according to the Plan while the water development programme very much lagged behind the schedule. The acreage reclaimed from waterlogging and salinity in West Pakistan was only about 1.8% of the scheduled five lakh acres. (82) Almost all multi-purpose projects were running behind schedule while the expenditure was above estimates. (83) General investment in Transport and Communication was roughly the same as it was planned, for 80% of the allotted funds were spent during the first four years. Railway traffic and efficiency increased substantially because of the improvement programme. (84) Overall performance was poor in inland waterways and road construction in East Pakistan. Housing showed a spurt of development only in the last two years of the Plan while Health and Social Service facilities showed very ordinary improvement. Education fared somewhat better but definitely not up to the expectations. (85) On the whole, in financial terms, the Plan was expected to be fulfilled to the extent of 90% while in real terms it was much less than that. (86)

The main causes of shortfalls in the fulfillment of the planned targets of investment were the following: (87)

a. The non-development expenditure was more than expected.

(82) Ibid., 24.
(83) Ibid., 23.
(84) Ibid., 29.
(85) SFYP, 2.
(86) Ibid., 3.
(87) Ibid., 2-3.
b. The foreign exchange earnings during the Plan period proved to be much less than expected.

c. Foreign aid received was below expectations.

d. The cost calculations in the Plan were upset by a significant rise in both the internal and external prices.

These were due to inaccurate planning but in addition to these there were other causes affecting the output like unfavourable weather conditions; and a deterioration in the terms of trade; factors over which the public policy had no control. (88)

As has been pointed out the Second Five Year Plan was revised in November 1961 and consequently the total development outlay was raised from Rs. 1900 crores to Rs. 2300 crores. (89)

Originally the Plan had anticipated a 20% increase in national income and 10% increase in per capita income. The Revised Estimates, on the other hand, anticipated a 24% increase in the national income and a 12% increase in the per capita income.

All the other important targets remained the same: 21% increase in the foodgrains production, 60% and 25% increase in the production of large and small scale industries respectively etc.

According to provisional estimates, the national income of Pakistan at 1959-60 prices showed an increase of 5.9% in 1960-61 and of 5.2% in 1961-62. It means that during the first two years of the Plan the national income increased by about 11%. If the

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(88) Ibid., 3.

rate of population growth is 2.2%, then income per capita increased by 3.7% in 1960-61 and 3% in 1961-62 i.e. by 6.7% over the two years. With this rate of income growth it should not be difficult to achieve the target of 24% and 12% for national income and per capita income respectively.

Though there were various damaging factors like floods in East Pakistan and locusts in West Pakistan, yet agricultural production showed a remarkable increase over the base period (average production in 3 to 5 years preceding 1960). Output of foodgrains in the year 1961-62 almost touched the target laid down for 1964-65 i.e. 21% increase over the base period. The increase in the production of jute, cotton and sugarcane was also very encouraging compared to the Plan targets—the achievement in jute, cotton and sugarcane was 16.2%, 10.4% and 20.2% increase in production compared to the Plan target of 22%, 38% and 36% increase in production respectively.

The expansion of industrial capacity resulted in a considerable increase in output. During the first two years, the production of large scale industry increased by about 23%. The provision in the public and semi-public sector for the two years was Rs. 49.42 crores, out of which Rs. 44.95 crores were spent. There was some shortfall in the public sector while funds in the semi-public sector were fully utilized. And in the private sector only about 35% of the amount sanctioned was utilized during the two years. In mining, the output of coal, natural gas and oil increased by 19.5%, 33.5% and 17.3% respectively. During these two years, investment in oil and gas prospecting in the semi-public sector was about Rs. 6.65 crores, that being a little more
than 50% of the Plan target for these two years. The Government also invested Rs. 2.9 crores in oil and gas prospecting in public sector. The shortfall in the semi-public sector was primarily because of the declining interest of the foreign oil companies in sinking new wells.

Water and Power sector was allocated Rs. 145.6 crores (Rs. 90.7 crores for water and 54.8 crores for power) during 1960-61 and 1961-62, but the actual expenditure was Rs. 148.2 crores (Rs. 91.6 crores for water and Rs. 56.6 crores for power). This was 2% higher than the planned target. The continuing projects in fields of irrigation, drainage, reclamation, flood control and power were carried on smoothly but the new projects started rather slowly. About 35% of the planned additional power capacity was installed during these two years. In all about Rs. 93.34 crores were spent by the Government in the 'transport and communication' sector. This was about 44% of the Plan outlay for this sector. In various fields like Railways, Roads and Road Transport, shipping etc. varying achievements were made which were quite up to the expectations. In the field of Housing and Settlement, though 88% of the financial provision for this period was utilized, the physical targets achieved were 14% in the development of plots, 10% in Government housing and 18% in tubewells. In Education and Training about 99% of the financial target fixed for the two years was achieved. Progress both in financial and physical terms, was satisfactory. The provision for Health for the period under review was Rs. 12.44 crores; out of which Rs. 10.86 crores (about 87%) was spent. Organization
and development of Social Welfare was given an important place in the First Plan but the programme could not be a success because of a lack of proper administrative machinery. During 1960-61 and 1961-62 an allocation of Rs. 2.45 crores was made but only Rs. .79 crores were budgeted and Rs. .73 crores were actually spent. The shortfall was due to a lack of finances and a proper organizational set up. The allocation for Manpower and Employment during these two years was Rs. 1.66 crores while only Rs. .67 crores were spent during these two years.

Out of the total planned outlay of Rs. 1462 crores in the public sector, Rs. 477 crores were to be utilized during the first two years but the actual expenditure was Rs. 432.6 crores (about 90.5% of the planned expenditure during the period under review) which was about 29.5% of the total planned outlay. In the private sector the total expenditure, including of course the increase in the stocks, was about Rs. 285.2 crores. This was about 34% of the total planned expenditure of Rs. 838 crores by the private enterprise. About 31% of the aggregate plan expenditure was incurred. The development in the private sector was faster than in the public sector.

On the whole, the performance of the economy during the first two years of the Second Plan was quite satisfactory as compared to the First Plan. There were certain shortfalls and lags but the two major sectors, Agriculture and Industry, responded well to increased investment. During 1962-63 the tempo of economic progress slowed down significantly. The index of agricultural production came down from 131 in 1961-62 to 126 in 1962-63. This
was primarily due to a 7% decline in the produce of rice. (90) The industrial sector on the other hand continued to expand. The gross national product increased only by 2.6% during 1962-63. Contrary to 1962-63, the economic situation in 1963-64 was characterized by unusual buoyancy. There was a considerable expansion in economic activity leading to a substantial rise in the growth rate. According to provisional estimates, the gross national product rose by about 6.5% during 1963-64. (91) Both agricultural and industrial production registered a significant increase. In contrast to 1962-63, the output of rice increased by about 18.6% in 1963-64.

In 1962-63 the prospects for the fulfilment of the 24% target growth in gross national product had looked rather bleak. But as a result of the performance of the economy in 1963-64, the chances have brightened up. The economy has to show an increase of 5.5% in 1964-65 in order to achieve the target of 24% increase in the gross national product.

(90) S. A. Hasnie, Governor State Bank of Pakistan, Speech Delivered at the 15th Annual General Meeting (Dacca, 1963) 3.

(91) S. A. Hasnie, Speech Delivered at the 16th Annual General Meeting (Karachi, 1964) 1-2.