Financing Development Plans in Pakistan

by

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Pakistan is beginning her Third Five Year Plan[1] in a mood of great optimism. After the disappointment of the First Plan, the country was able to make undoubted progress during the Second. All the major objectives of the Second Five Year Plan were exceeded and there were few important shortfalls of the specific subsector targets. Perhaps the most important of these were *a*) the failure to use all the resources allocated to family planning and *b*) the relatively slow rate of growth of exports of cotton manufactures; of second order importance was *c*) the growing shortage of cement[2].

TABLE I

PLANNING OBJECTIVES AND ACHIEVEMENTS, 1955-1965

Per cent increase over plan period	FIRST 5-YEAR PLAN		SECOND 5-YEAR PLAN	
	Target	Achievement	Target	Achievement
G.N.P.	15	11	24	29
Agricultural output	15[a]	7	14	19
Industrial output	68[b]	32	47	51
Exports	33	13	15	40
Per capita income	7	3	10	13

Notes: a) Foodgrain and fiber output only. *Source:* [8;13;14;16].
b) Gross value added in large scale industry only.

Industrial output continued to grow rapidly. Although consumer goods still account for over 50 per cent of gross value added in industry, investment and intermediate goods have shown rapid rates of growth during the last ten years [27, p. 108]. One must be careful, however, not to extrapolate these growth rates too far into the future as the base upon which these calculations were made is extremely small. "Large scale manufacturing" in Pakistan still means, in essence, textiles and a handful of food-processing industries.

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[1] The Third Plan period officially began on July 1, 1965.

[2] Only half the budget allocated to family planning was spent; exports of cotton manufactures were Rs. 250 million less than planned; output of cement in 1964-65 was 2.4 million tons less than the 4.0 million ton target.

Exports grew at the extraordinary rate of 7 per cent per annum during the Second Plan, as compared with the 3 per cent rate anticipated. Almost all of the above-target achievements can be attributed to three items—raw cotton, miscellaneous exports and invisibles, with the last named being nearly as important as the other two combined.

Details of the country's export performance over the last ten years can be found in Appendix Table A-1. A summary of that information is included in Table II.

TABLE II

GROWTH RATE OF MAJOR EXPORTS, 1954/55-1964/65

	1954-55	1964-65	Annual compound percentage rate of growth
	(.....*Rs. million*.....)		
All exports	1918	3050	4.7
Raw jute	857	820	— 0.46
Manufactured jute	16	350	36.1
Raw cotton	496	400	— 2.0
Cotton manufactures	32	170	18.0
Hides and skins	45	70	4.5
Wool	80	90	1.2
Miscellaneous	258	480	6.4
Invisibles	166	530	12.2

Source: Appendix Table A-1.

The behavior of raw cotton exports appears quite different when viewed over the two plan periods as a whole. In spite of the dramatic increase in exports beginning in 1962–63, by the end of the Second Plan period the value of exports was still slightly lower than that prevailing ten years before. The explanation of this is that throughout most of the period there were two conflicting trends at work: until 1960–61 cotton production in West Pakistan was stagnant; at the same time domestic consumption of cotton by the new textile industry grew rapidly. As a result, the volume of cotton available for export diminished. More recently, cotton output has increased and the rate of growth of domestic consumption has been reduced. This has led to a sharp rise in exports of raw cotton [29].

In some respects the most surprising accomplishment during the Second Plan was the rapid growth of agricultural output. The sector had been badly neglected during the previous ten years and it was largely responsible for the failure of the First Plan. During the last five years, however, the production of both food and fibre crops—and as we have seen, particularly of cotton—is reported to have greatly increased. Jute production was the only serious disappointment. The average increase in output over the four years ending in 1963–64 was 8.4 per cent for wheat, 27.5 per cent for rice, 20 per cent for cotton, 26.5 per cent for sugarcane, and −1.7 per cent for jute.

Cotton, wheat, and sugarcane are produced principally in West Pakistan. We know there has been a substantial increase in private investment in tubewells and the use of fertilizers in this province [28]. Thus, the increase in output can easily be understood. Jute and rice are grown in East Pakistan; jute output declined; rice output increased enormously. Yet we know that neither the area cultivated nor the use of unconventional inputs rose very much, so—at least on the surface—it is very difficult to explain the reported increase in rice yields[3].

Still, after all the qualifications are made it is clear that physical output and GNP per capita increased rather than decreased during the last ten years, and it is quite likely—at least in the latter half of the period—that they did so at a fairly substantial rate.

THE ADOPTED STRATEGY

The strategy for development in Pakistan has been to channel resources to those groups in the community whose average and marginal savings rates are thought to be relatively high. In practice, this has meant that income should be redistributed away from the massive agricultural population and in favor of the small class of wealthy, urban, industrial entrepreneurs[4]. The surplus thus accumulated and available for investment would be guided into high priority projects through the use of indirect (monetary and fiscal) controls. After the unhappy experience of the early 1950's there has been a general tendency to avoid direct controls, state ownership of industries, and government intervention.

These domestic resources would then be supplemented with large imports of foreign capital, *i.e.*, grants, loans, and private foreign investment. Capital

[3] Rice yields are reported to have risen 36 per cent between 1957 and 1964. *Cf. Pakistan Economic Survey, 1964-65* [12]. Yet as the National Income Commission stated, "...estimates of yield per acre in both parts of Pakistan are subjective estimates." [30, p. 18]. The decline in prices in 1964 is used as evidence of increased yield, but the large harvest in that year probably was due to favorable weather conditions.

[4] The "trickle-down" effects in the urban areas are very slight. There is evidence that people in the bottom 50 per cent of the income scale in Karachi have a lower standard of living than those in the bottom half of the rural income scale. In fact, they are even poorer than the equivalent East Pakistani peasant! [16, p. 29].

imports would be concentrated in the early periods of the development effort, so that by the end of the Perspective Plan in 1985 we would witness the "elimination of dependence on foreign assistance". [16, p. 17].

Such, in outline, has been the strategy for development. Let us consider its consequences and implications.

a) Decontrol and Free Enterprise

Large scale textile manufacturing and some food processing industries began to appear a few years after Pakistan achieved her independence. The major impetus to industrialize, however, came during the Korean War boom of 1950–51. Export prices rose over 26 per cent in two years, and foreign exchange was readily available to finance imports of machinery. When the boom ended export prices collapsed: cotton prices fell nearly 50 per cent and jute prices by 68 per cent. Imports of consumer goods were sharply curtailed, "thereby giving the newly established industries a monopoly of the domestic market" [35, p. 54]. Profits were high and their reinvestment contributed to further growth.

The government provided additional assistance to private capitalists in 1952 when it established the Pakistan Industrial Development Corporation (PIDC). This is a semi-autonomous agency controlled and financed by the state which is responsible both for participating in private ventures and in starting projects of its own. PIDC has been instrumental in promoting such industries as sugar refineries, jute textiles, fertilizers and cement plants. More recently, it has begun to concentrate less on consumer goods industries and more on basic industries such as machine tools, heavy electrical equipment and petro-chemicals.

It has been the policy of the PIDC to divest itself of its projects once they have become well established. Of the 43 large industry projects completed by the West Pakistan Industrial Development Corporation (WPIDC)[5], 24 have been converted into public limited companies and 19 of them are now under private management [12, p.34]. Thus, considerable effort has been made to encourage private enterprise: private industrialists have been shielded from foreign competition; they have been given credit if they were short of capital, tax concessions to ensure that profits were high, and export bonuses to encourage them to sell abroad; and when these were not sufficient the government has established the industry and turned it over to private enterprise once it was underway.

The alternative policy of maintaining state ownership could have been advantageous for at least two reasons: first, since private capitalists consume some of their profits, state ownership and the assumed 100 per cent reinvestment

[5] The former PIDC was divided into two organisations, one for each wing, in July 1962.

of profits from the nationalized industries in principle could have led to a higher savings rate and rate of growth[6]. Second, state ownership would have eliminated the justification for the growing concentration of incomes and wealth which are such prominent features of the country today. The authorities, however, chose to move in the opposite direction.

The tone of the First Five Year Plan has been described as "moralistic and libertarian" [35, p. 63]. By the time the Second Plan was published in June 1960 the general strategy of development was seldom questioned. The document contained only a few assertions and short statements of policy. A sample might include the following: "The creative energies of the people can be best harnessed to the needs of development if policies of economic liberalism are pursued". "Private investment in industry is to be given maximum encouragement." "... the Plan places greater reliance on the market mechanism and fiscal and monetary policies ..." [14, pp. xiv, 5, 8]. The apparent success of the Second Plan has further reduced the need to justify the policies pursued. As far as the planners are concerned "it is clear that the distribution of national product in the third plan should be such as to favour the saving sectors" [16, p. 33].

b) The Distribution of Income

In order to enjoy a higher level of consumption in the future, present consumption must be restrained and the surplus thus mobilized must be used for productive investment. Evidently, a growing proportion of the national income must be saved and invested if growth is to be accelerated, and it is this refraining from consuming which constitutes the real sacrifice or cost of economic development. What is of crucial importance is *whose* consumption is restrained, *i.e.*, the way in which these sacrifices are distributed among the population, because the control of the surplus and the way in which it is mobilized determine not only the distribution of income throughout the development period but also the form and composition of development itself.

To the extent that domestic resources have been mobilized in Pakistan it has been achieved by restraining the growth of the living standards of the poorest members of society—the rural masses. The Third Plan states: "There was a considerable transfer of savings from the agricultural to the industrial sector ... as terms of trade were deliberately turned against agriculture through such policies

[6] It is frequently asserted that "the experience gained in these countries (that is,'in countries that are following a socialistic pattern') indicates that public enterprise has not been as efficient as private enterprise..." [1, pp. 5-6]. Such a statement cannot be supported with empirical evidence, and there are many reasons to believe that it is utterly false. There are numerous examples of efficient public enterprises not only in socialist economies but in capitalist and mixed economies as well. The cases of Volkswagen in Germany (now private), the electricity company in France, the Suez Canal in Egypt, or the National Petroleum Co. in Chile come readily to mind.

as licensing of scarce foreign exchange earned primarily by agriculture to the industrial sector, compulsory government procurement of foodgrains at low prices to subsidize the cost of living of the urban, industrial workers, generous tax concessions to industry and lack of similar incentives for commercial, agricultural investment" [16, p. 7]. These measures were particularly strong in the 1950's; they have been modified since then but have not been abandoned completely.

The evidence is quite strong that agricultural prices were squeezed in the early years of the 1950's through such policies as compulsory delivery of foodgrains and export taxes on cotton and jute. At the same time tariff protection, import licensing and other exchange controls allowed industrial prices to soar. But as a result of a modification of policy, by the end of the decade agriculture's terms of trade appear to have greatly improved, although in recent years they may have declined again slightly.

The government's measures had the effect of reducing per capita income and consumption in rural areas relative to the rate of growth of GNP per capita, and perhaps also in absolute terms. It was mostly in the agricultural sector that consumption was restrained and a surplus generated.

Table III presents the existing data on real GNP per capita, rural income per capita, and the per capita availability of foodgrains. It shows clearly that throughout most of the past 15 years average agricultural incomes were declining. During the last 5 years they rose fairly rapidly, but at the end of the period they were still no higher than at the beginning. GNP per capita, on the other hand, rose by about Rs. 50.

Column (3) indicates that in spite of the massive imports of PL 480 commodities the per capita availability of foodgrains is no higher today than at the time of Partition. Moreover, these official estimates quite likely are overestimated. Total availability of foodgrains is obtained by subtracting a 10 per cent allowance for seed, animal feed and wastage from domestic production; adding all imports and subtracting exports. This figure is then divided by the official estimate of population size. Most competent observers, however, believe that *a*) the population size is underestimated and *b*) its rate of growth is accelerating. (*See*, for example [24, 36, and 19]). If these demographers are correct then the per capita availability of foodgrains, particularly in the later periods, is overestimated. The level of food consumption *in rural areas* must be even lower as income has been sharply redistributed to the urban sector. The conclusion of all this is that the vast majority of the Pakistani population probably have a lower standard of living today than when the country achieved its independence in 1947.

TABLE III

PER CAPITA INCOME AND CONSUMPTION

	GNP per capita	Rural income per capita	Foodgrains per capita*	
	(1)	(2)	(3)	
	rupees	*rupees*	(*ounces per day*)	
1948-49			16	
1949-50	311	207	15	(15)
1950-51	312	205	14	(14)
1951-52	313	204	13	(13.3)
1952-53	314	202	13	(13.6)
1953-54	315	202	15	(13.6)
1954-55	316	201	13	(13.3)
1955-56	316	199	12	(13.3)
1956-57	316	198	15	(13.6)
1957-58	317	195	14	(14)
1958-59	317	195	13	(13.6)
1959-60	318	194	14	(14)
1960-61	326	197	15	(14.3)
1961-62	334	199	14	(14)
1962-63	342	202	13	(14)
1963-64	351	205	15	
1964-65	360	207		

* Numbers in parentheses are three-year moving averages.

Source: Columns (1) and (2): Appendix Table A-2.
Column (3): [12,Table 13].

Looking at the evidence in Table IV, which refers to the two plan periods, it would appear that average urban incomes are six times higher than rural (Rs. 1,278 vs. Rs. 207) and that they grew four times faster (12.8 per cent over ten years vs. 3 per cent). Even though the number of urban residents increased 60 per cent over the 10 years (it is not unusual to have high percentage rates of growth when the base is small), the absolute number of rural people increased by 18 million. Hence, it is clear that income distribution is becoming more unequal. The fruits of development are being reaped by the minority of urban

rich while the majority of the nation remains the rural poor. Moreover, the growing inequality in income distribution is also reflected in the economic relations between the two wings. In terms of its contribution to the Gross Regional Product agriculture is 11 times larger than "large-scale" manufacturing[7] in East Pakistan, whereas in West Pakistan it is only 4.7 times larger.

TABLE IV

RURAL-URBAN INCOME DISTRIBUTION

	1954-55	1964-65	Increase	
			Absolute	Percentage
Population (*million*)	88	112	27	27.3
Urban	10	16	6	60.0
Agricultural	78	96	18	23.1
Income per capita (*Rs.*)	316	360	44	13.9
Urban	1133	1278	145	12.8
Agricultural	201	207	6	3.0

Source: Calculated from data in Appendix Table A-2.

It is, of course, a gross simplification to assume that all who live in rural areas are poor and all urban dwellers are rich.

The distribution of land in West Pakistan is very unequal and a commission was appointed in 1958 to recommend reforms. The commission proposed *i*) that the government expropriate all holdings of irrigated land above 500 acres and those of other lands (with exceptions) in excess of 1,000 acres. Compensation would be paid at something less than the market value and the land would be sold to small cultivators. The commission also recommended *ii*) that the methods of collecting rents be modified and that tenants be given greater security, and *iii*) that the fragmentation of holdings be stopped and that already fragmented holdings be consolidated.

The commission's report was accepted and the program was begun in January 1959. By the end of the Second Plan 2.2 million acres, or about 2 per cent of the land in the province, had been expropriated and resold. Compensation was assessed at Rs. 76 million and bonds were issued for the entire amount.

[7] Large scale manufacturing is defined by the National Income Commission to include any establishment which employs at least 20 persons and uses mechanical power.

By July 1965 half the bonds had been redeemed for cash payment. The expropriated land was largely marginal and uncultivated while many large holdings have been left untouched; tenant relations were largely unchanged and "about 6.7 million acres (50 per cent of the target) were consolidated" [13, p. 41].

There is very little information about the distribution of income in urban areas. M. Shoab, the Finance Minister, has, however, recognized that: "There is a growing discontent in the country about increasing concentration of income and wealth and economic power in the hands of a relatively few" [34, paragraph 40]. It is common knowledge that "the rich have certainly become very rich indeed, and persons and families which were worth millions a decade ago are now worth hundreds of millions ... The same family groups own industrial undertakings, banks, insurance companies, consultancy offices, construction firms, distribution trade, *etc., etc.,* so that not only is there a horizontal but also a vertical concentration of wealth, and a tremendous concentration of economic power" [21, p. 9]. Only one-tenth of one per cent of the population pays income tax, yet the plan informs us that the top 5 per cent in Karachi have incomes 27 times higher than the bottom 5 per cent (who are even poorer than the equivalent rural group) [16, p. 29]. The exemption limit for personal income tax is Rs. 6,000. or nearly 17 times the per capita income. There is little to warrant this policy as it has even been shown that the nominal level of non-corporate private savings has not risen substantially since 1949 [26]. Furthermore, a sample survey in Dacca also reveals that as much as 42.5 per cent of personal "savings" in the urban sector is in the form of gold and ornaments, consumer durables and housing [17, p. 26].

c) Private Savings

We have shown so far *i*) that the development strategy has placed considerable reliance on private enterprise and that it has been government policy to protect and strengthen private capitalists; *ii*) that the rural areas have been squeezed to such an extent that the level of rural consumption per capita possibly is lower and certainly no higher than it was fifteen years ago; and *iii*) that the strategy adopted has led to the creation of a privileged class and an unequal distribution of income. We must now consider more closely to what extent the strategy has been successful in achieving a high rate of domestic savings.

TABLE V

GROSS DOMESTIC SAVINGS AND INVESTMENT AS PERCENTAGE OF GNP

	1949-50	1954-55	1959-60	1964-65
Domestic savings as a percentage of GNP	4.6	6.8	5·9	9.5
Investment as a percentage of GPN	4.6	7.9	10.9	15.8

Source: [16].

reached the conclusion that in 1962-63 private investment in agriculture was of the order of Rs. 781 million [5, p. 6].

TABLE VI

PRIVATE DOMESTIC SAVINGS IN DIRECTLY PRODUCTIVE ACTIVITIES DURING THE SECOND PLAN

1.	Total investment in private sector		Rs. 11,474 million
2.	Foreign private investment	451	
3.	Foreign loans and grants	1600	
4.	Investment in PIDC's	221	
5.	Investment in housing	2525	
6.	Sub-total: Rows 2 through 5		4,797
7.	Private savings in directly productive activities (Row 1 — Row 6)		6,677
8.	Private savings in directly productive activities as percentage of GNP		3.3

Source: [13, pp. 26,28,54,116].

Now if we take the annual average of item 7, in Table VI, we get Rs. 1,335 million as an estimate of private investment in directly productive activities. As we have seen, Rs. 781 million was invested in agriculture, so the approximate amount of private savings invested in directly productive activities *outside of agriculture* was only Rs. 554 million. This was only slightly more than 1 per cent of the GNP or 3 per cent of total urban income in 1962-63. The Falcon-Gotsch estimate of private investment in agriculture, however, was made independently of the estimates included in Table VI. Thus there is no assurance that this estimate is included in the figure we are using for private savings in directly productive activities; we can only be confident that non-agricultural productive investment is somewhere between 3.3 per cent and 1 per cent of GNP.

As long ago as 1959 the Credit Enquiry Commission revealed that nearly 60 per cent of the bank credit was secured by 222 families. From the view point of equity it is highly doubtful that the "sizeable transfer of savings ... taking place through the rural branches of the commercial banks to the urban centres" can be considered a "great help" [16, p. 33]. Further provision of credit is only likely to perpetuate this socio-economic system.

The desirability of well-meaning proposals to raise savings through a "reduction of the corporation tax rate to either a nominal payment or to zero" is highly doubtful [25, p. 268]. Corporate tax rates already are quite moderate and income from this source accounts for only about 5 per cent of all tax revenues. Preliminary findings of a study underway at the Pakistan Institute of

Development Economics by Abdur Rab indicate that the effective corporate tax rate (on net taxable income, *i.e.*, net of exemptions) is only about 25 per cent. In fact, the total tax burden is unusually low [31]: only 7-9 per cent of GNP is currently paid in taxes and the government hopes to raise this to 10 per cent during the Third Plan. The government has become increasingly unable to finance its expenditures with tax receipts. In 1960-61 government receipts (taxes plus other revenues) covered over 68 per cent of total expenditures (both non-development and development expenditures); by 1964-65 they covered barely 66 per cent. This was a continuation of a long trend. As Chowdhury states "though there has been some growth of tax revenues, this has been slower than the growth of total budgeted expenditure. There has been, however, much greater availability of foreign aid" [3, p. 108].

b) The Savings Transfer from Agriculture

Assuming additional unemployed resources cannot be readily mobilized, if the domestic savings rate is to increase, consumption must be restrained, *i.e.*, resources must be transferred from consumption-use to investment-use. Consumption, in turn, may be restrained more severely in some sectors than in others—just as investment may increase more in some sectors than in others. If we find, for example, that the relative reduction in consumption in sector A during some period exceeds the increase in investment in that sector, we say there has been a transfer of resources to the other sector N. If we should also find that the transfer of resources from A to N is greater than investment in sector N, then we say there has been a transfer of savings from sector A to consumption in sector N.

We have tried to obtain a rough measure of the transfer of savings from the agricultural to the non-agricultural sector by constructing the "balance of payments" of agriculture for the fiscal year July 1964-June 1965. Relevent data are scarce and of poor quality and our estimate has been pieced together from a variety of sources. Hence, the estimate in Table VII must be viewed only as an indication of the order of magnitude.

It appears that agriculture annually transfers about Rs. 3,600 million of resources to the urban sector. This represents over 15 per cent of the value of its gross output. Total development expenditure during the five years of the Second Plan was Rs. 26,330 million, of which Rs. 10,100 was financed by capital imports. Domestic resources accounted for only Rs. 16,230 million of plan expenditure, or an annual average of Rs. 3,246 million. On pages 610—611 we argued that private non-agricultural investment probably was somewhere between Rs. 554 to 1,335 million on the average. If this estimate is correct it implies that at least

TABLE VII

SALES AND PURCHASES OF THE AGRICULTURAL SECTOR, 1964-65

	(*in million rupees*)
1. Sales by agriculture to urban sector and foreign countries	14,425
2. Purchases of intermediate goods	1,518
3. Purchases of capital goods from foreign countries	69
4. Purchases of capital goods from urban sector	262
5. Purchases of consumer goods	8,914
6. Total purchases	10,763
7. Sales minus purchases (=resource transfer)	3,662

Source: Rows (1) and (2): [10].

Row (3): [15].

Row (4): [7]. The 1959-60 estimates of the output of agricultural machinery and appliances, cement, strainers, engines and turbines, pumps and compressors were brought up to 1964-65 by assuming a 13 per cent annual compound rate of growth—which was the rate experienced by large scale manufacturing as a whole.

Row (5): [11]. The estimates were brought up to 1964-65 by using income elasticities of demand suggested by the survey data and assuming per capita rural income increased by 5 per cent as suggested by the data in Appendix Table A-2. The estimate is known to be overstated by a considerable amount because village produced textiles and footwear are treated as purchases from the urban sector.

63 to 85 per cent of the savings transferred from agriculture are dissipated in higher consumption in urban areas.

We cannot conclude from this, however, that the agriculturalists are rapidly becoming industrial capitalists. Without a flow-of-funds statement it is impossible to trace the financial flows and determine the form in which assets are accumulated. Some of the savings, of course, are transferred through taxation, but at the same time fertilizers, pesticides and water are heavily subsidized. Some of the savings are deposited in rural branches of national banks and then transferred to the urban sector. Probably, a larger proportion is deposited directly in urban banks by large landowners who reside in, say, Lahore or Karachi. Some of the funds may be invested directly in manufacturing activities, but the volume may prove to be small. Further research on this topic is obviously necessary, but it does seem clear that if the agricultural surplus were mobilized and combined with high urban savings the need for foreign aid would soon disappear.

FOREIGN AID AND INVESTMENT

Private savings and the government's surplus on current expenditure account were totally inadequate to finance the development effort during the first two plans. The relative success of the plans and the consequent performance of the economy depended to a great extent on the availability of foreign assistance and its efficient utilization.

During 1955-60 Pakistan's capital imports were over Rs. 5 billion. Fifty-six per cent of this was in the form of grants; the remainder was composed of loans and a small flow of private foreign investment (*see*, Table VIII). These external resources financed half the plan expenditure and a third of the total imports; they supplemented Pakistan's earnings from exports by over 50 per cent. In the next plan period, the volume of aid doubled and the proportion of loans rose to 80 per cent. Aid now supplemented export earnings by over 76 per cent and financed nearly 40 per cent of all imports, although the proportion of development expenditure financed by aid declined to 38 per cent.

Thus, between the two plans, there was an abrupt change in the composition of capital imports. Grants declined by Rs. 762 million while the volume of loans increased by almost 444 per cent. It is perhaps unfair as well as indelicate to suggest that grants decreased once Pakistan's alignment with the West, its acceptance of US military aid, and its membership in SEATO and the Baghdad Pact (later CENTO) were assured—but the suspicion remains nevertheless. This de-emphasis of grants was associated with a dramatic increase in "tied" loans. The immediate consequences are reflected in the fact that from 1960-61 to 1963-64 the share of dollar area imports rose from 26 to 46 per cent.

TABLE VIII

CAPITAL IMPORTS AND FOREIGN DEBTS

	1955-60	1960-65	1965-70
1) Total capital imports (*in million rupees*)	5,070	10,100[b]	16,500[b]
a) grants	2,837	2,075	n.a.
b) loans	1,808	8,025	n.a.
c) private foreign investment	425	450	700
2) Capital imports as per cent of:			
a) export earnings	55.3	76.2	82.0
b) total imports	35.0	39.3	46.5
c) development expenditure	52.0	38.4	31.7
3) Servicing of foreign debt	161.1[a]	951	2810
a) debt servicing as per cent of capital imports	3.2	9.4	17.0
b) debt servicing as per cent of export earnings	1.8	7.2	14.0

Source: [12; 14; 16; 16a, various years].

a) Repayment of principal only.

b) The Second and Third Plans exclude the $ 945.9 million Indus Basin Project. All but $29 million of this will be financed from external resources, according to the terms of the 1960 treaty signed with India.

The long run consequences of tied aid can be quite serious. It is a common belief that products purchased under tied loan agreements usually cost 15-25 per cent more than world prices. It is quite likely that this is an underestimate since *a*) foreign suppliers frequently raise their prices when loans are tied and world competition is eliminated and *b*) there is evidence that German industrialists charge 40 per cent more than world prices under their tied loan agreement[9]. In comparison with untied aid, these practices squeeze the developing countries in three ways: first, by definition, by raising the cost of imports, tied loans augment the deficit on current account of the balance of payments and lead to a deterioration of the terms of trade. The deterioration of the terms of trade will be a once-for-all change except insofar as the proportion of tied aid increases. This terms of trade effect can be partially offset by diversifiying the sources of aid. In other words, by raising the cost of development expenditure, tied loans lead to a higher capital-output ratio and lower rate of growth. Secondly, this effect may be permanent as the industrial apparatus of the borrowing country may become permanently dependent upon a high-cost supplier for spare parts, replacements and ancillary equipment. Thirdly, tied loans lead to higher debt repayment obligations and a greater foreign debt burden. Assume, for example, that Pakistan obtains a tied loan of $1,000 at 5 per cent repayable over 10 years from the Eximbank to buy a piece of machinery which costs only $800 on the world market. Total debt servicing on this loan will be $1,275, *i.e.*, $1,000 for repayment of principal and $275 for interest charges. In comparison, if Pakistan had been able to obtain an (hypothetical) untied loan for $800 on the same terms, total debt servicing would have been only $1,020, or $255 less.

Aid in the form of surplus agricultural commodities under the PL 480 program, increased from Rs. 1,618 million to Rs. 1,970 million over the two plan periods. Rupees 723 million were spent in support of the Public Works Program which is attempting to provide employment and increase productivity by undertaking labor-intensive investment projects in rural areas. It could be argued that this is the most effective use to which PL 480 aid has been put, and certainly in principle such programs deserve to be supported. Critics of the program, however, frequently allege that in practice the public works program has contributed much less than one would hope because *a*) corruption is widespread, *b*) the type and location of projects is determined by political rather than economic factors, and *c*) the work (including maintenance) has been poorly done due to lack of skills and technical knowledge. Evidently, more research is needed on this topic.

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[9] See the statement by Mr. A. Jawad, President of the Karachi Chamber of Commerce, as reported in *Dawn* (Karachi), July 10, 1965, p. 5.

It has been suggested that in other respects PL 480 assistance has been harmful. Beringer and Ahmad believe "that there is a danger that the relatively stable food-price situation which has been maintained with the help of PL 480 imports is beginning to blur the government's vision of the seriousness of the agricultural supply situation in Pakistan" [2, p. 59]. It is uncertain whether the government's vision is blurred, *i.e.*, whether agriculture has been neglected in general, but it is a fact *a*) that the index of wheat output was 100 in 1960 and only 106 by 1963-64 and *b*) that the average acreage devoted to wheat increased from 10.4 million in 1950-55 to 11.7 million in 1955-60 to over 12 million in the early 1960's [4, p. 1]. Thus, there is a clear association between PL 480 imports and stagnating wheat production.

It could be argued that Pakistan should concentrate her efforts on increasing the output of jute and cotton—which earn foreign exchange—and continue to rely on PL 480 imports to meet her food requirements. This, however, would seem to be an unwise policy as it would give a foreign government extraordinary power to influence this country's internal and external affairs. Alternatively, one could argue that Pakistan should export jute and cotton in return for foodgrains purchased from commercial sources. The advisability of this policy would depend upon where the country's comparative advantage lies and what are the likely future changes in costs and prices in the cash crop and foodgrain industries. It certainly isn't obvious that Pakistan can best feed her growing population by selling cotton rather than by growing wheat.

a) **Foreign Aid in the Third Plan**

The Planning Commission has tried to give the impression that the country's dependence on foreign assistance is diminishing. It is true that capital imports as a percentage of GNP are expected to be lower in the Third Plan than in the Second (6.7 per cent vs. 8.1 per cent), but they will still be higher than the 4.8 per cent which prevailed during the First Plan. It is also true that foreign assistance as a percentage of total development expenditure is expected to be somewhat lower in the Third Plan than in the last (*see*, Table VIII). More to the point, however, capital imports appear to be a growing proportion of total government expenditures, foreign exchange receipts and total imports. Moreover, the amount of foreign aid requested to finance the Third Plan is 60 per cent greater than the amount received during the Second Plan period.

Capital exports, in the form of repatriation of private capital, repayment of principal on foreign debts and interest charges, have begun to rise at a substantial rate. In fact, private capital outflows appear to exceed the inflow, *i.e.*, Pakistan is a net capital exporter on private account. As a government spokesman has stated: "It is estimated that in 1963-64 the level of such outflow was in

the neighbourhood of Rs. 150 million exceeding the direct inflow of private capital by Rs. 50 million" [22, p. 11].

The rate of interest on Pakistan's foreign debt varies from 0.75 per cent for I.D.A. loans to 6 per cent for German 10-year credits. At present, the average rate is approximately 3 per cent [10] and seems to be rising—although it is difficult to document this precisely. An increasing volume of debt is being incurred simply to pay off previous debts: during the First Plan the proportion of debt servicing to capital imports was 3.2 per cent; it rose to 9.4 per cent in the Second Plan and is expected to be 17.0 per cent during the Third. This can be a costly policy especially if the average rate of interest on new debts is higher than on the old.

Debt servicing also is a growing percentage of export earnings. During the First Plan only 3.8 per cent of the country's earnings of foreign exchange were used to service the debt; the proportion rose to 10 per cent in the last year of the Second Plan and is expected to be 16 per cent in the last year of the Third Plan. At this rate of increase a quarter of Pakistan's export earnings will be needed by 1974-75 to service the debt and nearly a half by 1979-80. Even this projection is optimistic, however.

The noteable feature of the Second Plan was the extent by which exports exceeded their target. Had exports grown at the planned rate of 3 per cent per annum, instead of the 7 per cent rate actually achieved, the foreign debt position would appear much worse today than it does. Had exports not grown at the rate they did, foreign exchange earnings would have been lower and the need for capital imports consequently greater. It is probably safe to say that in the absence of an export boom debt servicing in the last year of the plan would have absorbed 12 to 15 per cent of export earnings. This speculation after the event is important because it is planned to accelerate the rate of growth of exports even further during the Third Plan to 9.5 per cent per annum[11]. Failure to meet this target would be serious, for if exports grow only 20 per cent over the plan period, for example, the ratio of debt service to exports will be 20.5 per cent in 1969-70.

b) The Foreign Trade Targets

A detailed analysis of the balance of payments projections of the Third Plan is the subject for another essay [6a]. All that can be done here is to indicate the broad lines of the foreign trade strategy and comment upon them. The basic information presented in Table IX will help us to do this.

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[10] The estimate was obtained by weighting 9 interest rates reported in [12] by the debt outstanding at the end of 1964. The weighted average obtained was 3.01 per cent.

[11] *See*, Appendix Table A-4 for the global targets of the Third Five Year Plan.

TABLE IX

EXPORT TARGETS OVER THE THIRD PLAN

	1964-65	1969-70	Compound percentage rate of growth
	(*in million rupees*)		
Raw jute	820	750	—1.8
Raw cotton	400	550	6.7
Hides and skins	70	80	2.8
Wool	90	90	0.0
Rice	140	300	16.4
Total primary commodities	1,705	2,120	4.5
Jute manufactures	350	800	18.0
Cotton manufactures	170	350	15.6
Total manufactures	815	2,000	19.7
Invisible earnings	530	680	5.2
Total exports	3,050	4,800	9.4

Source: [16].

The first thing to notice is that exports are expected to grow almost 50 per cent faster than GNP. Thus, to use Rostow's terminology, foreign trade is to become Pakistan's leading sector. This is to be achieved by a rapid expansion of five commodity groups: rice, raw cotton, cotton manufactures, jute manufactures, and other manufactures.

The second thing to notice is that "for most products, both agricultural and industrial, for which exports are planned, domestic consumption constitutes an alternative market" [16, p. 90]. This means that domestic consumption will have to be restrained and increased production channeled to export markets. This is likely to be quite difficult. First, the Planning Commission has assumed the population will grow at 2.7 per cent per annum even though there is good reason to believe that the rate is at least 3 per cent (*Cf.* p. 606 above). Thus, internal pressure for additional consumer goods is likely to be more intense than is anticipated. Secondly, "the shift from direct to indirect controls ... will be intensified during the next 5 years" [16, p. 89]. If the planners are serious, this implies that precisely at the moment when efficient discriminatory controls on consumption would be most useful in accelerating exports, the existing measures will not be improved but rather discarded in favor of instruments whose impact

is diffused and unpredictable. Insufficient consideration, for example, seems to have been given to the desirability of establishing a government trading corporation and an export quota system. Such direct controls could be powerful instruments in achieving the government's stated aim—although it must be recognised that direct controls can have undesirable distributive effects depending upon the way the controls are administered and the honesty of the civil service.

A consideration of the export targets by separate commodity groups does not lead to greater optimism. The planned 16.4 per cent annual rate of growth of high quality rice exports appears to be too high. It is unlikely that world demand will be great enough to absorb this quantity without a substantial price decline [20].

Cotton production is expected to increase by 50 per cent during the Third Plan and exports of raw cotton are expected to grow 6.7 per cent per annum. Whether the export target can be met depends upon whether domestic supply increases by the required amount and whether purchases of cotton by the textile industry can be kept within bounds. The former problem may prove to be the most difficult.

Cotton output has substantially increased in the last few years, due primarily to private investment in tubewells. Further increases in output will depend upon a continuation of this investment as well as additional use of non-conventional inputs, particularly fertilizers. There is a danger, which seems to have been ignored, that private investment in tubewells during the next five years may not be as buoyant as is hoped. In the past, these investments have been undertaken by relatively large and wealthy farmers: 77 per cent of all tubewells are found on holdings of 25 acres or larger; 82 per cent of all tubewells were installed without recourse to borrowing [28, pp. 20-21]. It is quite possible that within the next two or three years most large farmers will have installed their tubewells. Expansion of the program will then rest upon the small farmers—who own over half of the cultivable land in West Pakistan. These small farmers may not invest either because their financial resources do not enable them to do so or because their fragmented holdings do not justify such a large capital expenditure. For these reasons the provision of more generous credit facilities coupled with an acceleration of the process of land consolidation may be essential. Without them the chances of meeting the export target for raw cotton are less certain.

Exports of manufactured products are expected to grow 19.7 per cent per annum, *i.e.*, almost twice as fast as industrial output and three times faster than they grew over the Second Plan. If this target is achieved it would represent a complete reversal of past trends. The proportion of industrial output that is

exported has declined steadily from 4 per cent at the beginning of the Second Plan to 3 per cent at the end. Now the Planning Commission has decided that the ratio should increase to "at least 5 per cent" by 1970. How this is to be accomplished is not clearly stated. Until the commission specifies in detail the policy measures it intends to introduce to achieve such results the target for exports of manufactured goods should be viewed with scepticism.

The import targets are equally ambitious. Total imports and debt servicing are expected to grow 7.3 per cent per annum during the Third Plan as compared with 15.8 per cent during the Second. Imports exclusive of debt servicing are expected to grow less rapidly than GNP. This is to be achieved by restricting the rate of growth of imports of capital goods to 4.5 per cent per annum, of raw materials to 11 per cent per annum, and of consumer goods to 3.3 per cent per annum. At the same time that this is to occur the government insists that the regulation of imports will shift to indirect methods and that gradually they will be de-controlled [16, p. 123].

The gap between imports and exports has been growing steadily throughout the last ten years, and the need for capital imports has consequently been increasing. The Third Plan proposes to reverse this trend. Yet it appears that both the export and import targets are completely unrealistic, especially in the context of the government's philosophy of economic liberalism. It has already been shown above, contrary to what the Planning Commission would like to imply, that by almost any reasonable measure the Third Plan envisages an increase in Pakistan's dependence on foreign assistance. The increased dependence may have been understated, however. If the foreign trade targets are not achieved, either greater aid will be requested or the Plan's objectives will be scaled down. In either case dependence on capital imports will increase. The only way to avoid this dilemma is to place greater stress on mobilizing the nation's resources.

SUMMARY AND CONCLUSIONS

Planning in Pakistan has been a curious exercise. It has been the intention of the government to liberalize the economy as much as possible and to redistribute income to the industrial classes in the expectation that this would lead to a high rate of domestic savings.

In the first half of the essay it is shown that the government did introduce the social and economic changes it proposed: the economy was liberalized and income was redistributed. In fact, it is argued that the redistribution of income was so pronounced that the standard of living of the average rural inhabitant is no higher today than it was fifteen years ago and it may be lower. The poor are little better off and, because of population growth, they are more numerous

than when planning began. In spite of this the domestic savings rate is still very low. Using Planning Commission data—which may not be accurate but, if anything, are likely to be biased upward—it is argued that private investment in directly productive non-agricultural activities is about 1 to 3 per cent of GNP. Even if there is a substantial error in the estimate the plan strategy can only be considered a very modest success.

Income inequalities have not ensured markedly high rates of private savings; they have mostly led to privilege: the housing boom is largely confined to urban areas and the wealthy classes; imports of photographic equipment and supplies were Rs. 5 million per annum during the First Plan, whereas they were running at an annual rate of Rs. 14 million in 1964-65; imports of passenger motorcars were Rs. 12.6 million per annum during the First Plan, whereas they soared to an annual rate of Rs. 72 million in the first nine months of 1964-65 [9 and 15]. In contrast, according to information published in the *Pakistan Observer*, only Rs. 75 million were allocated by the government to assist the victims of the May 1965 cyclones and floods which killed nearly 13,000 people and made 5,00,000 homeless.

This entire social and economic system, and the planning exercise which is its manifestation, is supported and sustained by foreign assistance. A former member of Harvard's Development Advisory Service practically concedes this. He says: "It is ironical but true that the strongest prop of the planning enterprise in Pakistan is the nation's continued dependence on foreign aid " [35, p. 78]. The assertion of the Planning Commission that "... a liberalized economic system is highly conducive to accelerated capital formation and economic growth ..." is not consistent with the facts [16, p. 123]. Pakistan's economic performance has depended heavily on capital imports and this dependence is increasing. The volume of external assistance requested for the Third Plan is 300 per cent higher than that obtained during the First, and the proportion of total imports financed by aid is growing as well.

The authorities are obviously pleased that "excluding consumer goods imported under PL 480 programme, consumer items constitute only about 12 per cent of total imports" [16, p. 9]. Yet the implication of this is that the planned substitution of imported consumer goods by privileged local producers has introduced a strong pro-consumption, anti-saving bias into the economy, *i.e.*, the output mix in the industrial sector is not consistent with a high savings policy [*Cf.*, for example, 23]. If consumer demand is not maintained at a high level Pakistan will have excess industrial capacity! There is little choice but to continue consuming locally produced "Pakola", clocks, fountain pens and radios.

Private investment in tubewells in West Pakistan and the consequent expansion of output of raw cotton are perhaps the most encouraging recent developments in the country. Although the government did subsidize inputs and remove price controls, to a large extent the planners were lucky. Private tubewell installation was unanticipated and in fact is being resisted by the government's Water and Power Development Authority, which favors licensing controls. It would be difficult to attribute the buoyancy of agricultural investment directly to the government's initiative in this field, much less to its policy of redistributing income to urban areas. "Emergency conditions" are said to have prevailed in agriculture at the end of 1959-60; that conditions today are not catastrophic is an unplanned blessing [14, p. 128].

One suspects that capital imports have substituted rather than supplemented domestic savings, although it is impossible to predict what would have happened if foreign assistance had not been available. In M. Haq's book [18] domestic savings are a residual derived by subtracting foreign aid from desired gross investment. Saving is also treated as a residual in the Third Plan. One can scarcely disagree with Power's statement, that "it is fair to say that in Pakistan the mobilization of domestic resources has never had first priority" [32, p. 418].

In the second half of the essay it is shown that the burden of foreign debt is rising rapidly and in view of the excessive optimism of the balance of payments projections of the Third Plan, the debt burden in 1969-70 is likely to be higher than is anticipated. The implication of the argument is that the social and economic system which has been created and sustained with the help of foreign assistance is not viable. Continued reliance on foreign loans and private foreign investment is quite likely to lead to a situation in which debt repayment obligations and repatriation of private capital persistently grow at a faster rate than exports. This means that a growing proportion of current earnings of foreign exchange will be required to service foreign capital. The squeeze on foreign exchange earnings can only be avoided if *i*) export earnings and import substitution grow at a phenomenal rate, or *ii*) the trend in foreign assistance is reversed in favor of more grants or *iii*) foreign debts are incurred to service past loans so that capital imports grow at an accelerating rate, or *iv*) the foreign debt is repudiated and foreign firms are nationalized.

The panacea for all development problems in Pakistan has been "more aid"[12]. Even such a sensitive analyst as John Power, who recognizes that "foreign

[12] Perhaps most extraordinary of all in Fei's "demonstration" that — assuming high rates of population growth and everything else constant — Pakistan will experience "sudden death" if she fails to acquire the minimum foreign aid [6, p. 56]. One would have thought that by now it was generally recognized that the whole process of development consists of turning constants into variables.

aid can serve to forestall as well as encourage the social and institutional changes that are required", finally joins the chorus of domestic and foreign economists and insists that "Pakistan must continue to rely heavily on external financing of its development effort" [33, pp. 193, 207].

An alternative strategy would place reliance on the mobilization of domestic resources—both rural and urban—through such programs as *i*) the acquisition of large land holdings and their consequent control by the State; *ii*) the consolidation of fragmented holdings and the formation of cooperatives; *iii*) the full mobilization of overt and seasonal unemployed labor on rural investment projects and low cost housing—in an institutional environment in which those who contribute their effort receive the fruits thereof; *iv*) the establishment and management of State industrial enterprises[13] operating under maximum efficiency and maximum investment principles; *v*) the full use of the State's powers of taxation and control including an agricultural land tax; greater coverage, fewer exemptions and higher rates of personal income tax; higher corporation taxes; additional import controls; restrictions of the export bonus scheme and its substitution by direct controls on exports; and in some cases additional sales and other indirect taxes; *vi*) a substantial increase of outlays on rural education[14]. Almost all of these measures would tend to increase both equity and domestic savings.

Foreign aid may not, in practice, be used to encourage reform, because the way in which resources are mobilized is not independent of the institutional organization of society. Foreign assistance is largely a transaction between governments of wealthy societies (plus international agencies operating for them) and the government of an underdeveloped country. The latter, as with all governments, usually reflects the balance of power in the society and hence is likely to have an anti-reform, *pro-status quo* bias. Under these conditions aid may only strengthen the forces opposing change—regardless of whether the contributing countries want change or not. In its simplest form the argument is as follows : development requires economic reforms; economic reforms are impossible without institutional changes; foreign aid tends to strengthen institutions and thereby inhibit change; hence aid tends to retard development. If the hypothesis is correct the implication is that foreign assistance is most likely to be effective in fostering development only after (or during the period when) the necessary reforms have been (or are being) introduced, and not before.

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13 This does not imply that existing private enterprises would necessarily be nationalized or even that certain sectors would be reserved for the State. It does imply, however, that PIDC established enterprises would not be turned over to private interests.

14 Half the Central Government's current expenditures are on defence. The Third Plan proposes to spend 127 per cent more on armaments than on education. Annual per capita expenditure on education will be less than Rs. 6 and almost none of this will be spent in the country side.

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Appendix A

TABLE A-1

MAJOR EXPORTS, 1954/55-1964/65

Exports	1954/55	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65 (est.)
	(*million rupees*)										
All exports	1,918	2,131	1,909	1,726	1,818	2,160	2,333	2,429	2,781	2,811	3,050
Raw jute	857	941	808	858	790	760	872	870	848	776	820
Manufactured jute	16	85	102	133	145	223	320	339	317	341	350
Raw cotton	496	510	362	246	223	171	195	163	401	443	400
Cotton manufactures	—	32	95	34	68	220	122	50	92	115	170
Hides and skins	45	49	51	50	61	94	79	90	81	76	70
Wool	80	85	96	78	81	83	83	87	91	97	90
Rice							54	112	125	71	140
Miscellaneous exports	258	234	186	129	161	285	204	154	326	378	480
Invisibles	166	195	209	198	289	314	409	464	500	514	530

Sources: [13; 14].

TABLE A-2

REAL OUTPUT AND PER CAPITA INCOME, 1949/50—1964/65

(1959-60 Prices)

	GNP at factor cost (1)	Agricultural output (2)	Total population (3)	Rural population (4)	GNP per capita (5)	Rural income* per capita (6) col. (2) ÷ col. (4)
	(.....*in million Rs*.....)		(.....*millions*.....)		(.....*rupees*.....)	
1949-50	24466	14668	79	71.0	311	207
1950-51	25078	14859.7	80.8	72.4	312	205
1951-52	25705	15052.9	82.7	73.8	313	204
1952-53	23648	15248.6	84.6	75.2	314	202
1953-54	27007	15446.8	86.5	76.6	315	202
1954-55	27908	15654	88	78.0	316	201
1955-56	28606	15857.5	90	79.7	316	199
1956-57	29321	16063.6	92.1	81.3	316	198
1957-58	30054	16272.4	94.2	83.0	317	195
1958-59	30805	16482.9	96.4	84.6	317	195
1959-60	31439	16753	99	86.3	318	194
1960-61	32946	17339.4	101.6	88.2	326	197
1961-62	34744	17946.3	104.2	90.1	334	199
1962-63	35929	18574.4	106.9	92.0	342	202
1963-64	38637	19224.5	109.7	94.0	351	205
1964-65	40525	19895	112	95.9	360	207

Sources: Col(1): 1949/50-1959/60: [16]. Applying a 2.5 per cent growth rate to missing years.
1959/60-1964/65: [13].

Col (2): [16]. Applying 1.3 per cent annual increase up to 1959/60 and a 3.5 per cent increase thereafter.

Col (3): [16]. Applying a 2.3 per cent rate of increase over first ten years and a 2.6 per cent rate from 1959/60.

Col (4): [16]. For estimates at five-year intervals, interpolation in between.

Col (5): [16]. Applying 0.2 per cent rate over first ten years and a 2.5 per cent rate from 1959/60.

* Rural income per capita is understated to the extent that the output of cottage industries is excluded from our calculations. Unfortunately, virtually nothing is known about the size and rate of growth of small scale manufacturing so we have been forced

TABLE A-3

DEBT REPAYMENT OBLIGATIONS AS OF DECEMBER 31, 1963

Year	Principal	Interest	Total
	(.....*in thousand rupees*.....)		
1963-64	214,888	188,258	403,146
1964-65	223,637	222,549	446,186
1965-66	219,937	234,979	454,917
1966-67	255,388	232,085	487,474
1967-68	286,512	223,183	509,696
1968-69	294,777	210,962	505,739
1969-70	287,541	198,566	486,108
1970-71	282,129	185,729	467,859
1971-72	291,128	171,423	462,551
1972-73	313,451	157,252	470,704
1973-74	313,694	143,677	457,372
1974-75	283,532	131,538	415,070
1975-76	277,886	120,529	398,416
1976-77	257,775	109,946	367,721
1977-78	246,070	100,444	346,515
1978-79	226,949	91,801	318,751
1979-80	218,036	84,142	302,179
1980-81	202,428	76,849	279,277
1981-82	203,362	70,043	273,406
1982-83	189,720	63,132	252,853
1983-84	171,486	57,461	228,947
1984-85	173,603	52,270	225,874
1985-86	168,686	47,069	215,755
1986-87	170,417	41,899	212,317
1987-88	169,694	36,690	206,384
1988-89	160,538	31,637	192,176
1989-90	159,459	26,778	186,237
1990-91	126,809	22,403	149,212
1991-92	106,846	19,726	126,573
1992-93	109,053	17,591	126,604
1993-94	111,331	15,291	126,623
1994-95	113,685	12,944	126,630
1995-96	109,161	10,576	119,738
1996-97	99,459	8,435	107,894
1997-98	96,837	6,501	103,338
1998-99	93,750	4,773	98,524
1999-2000	82,435	3,183	85,619
2000-01	66,408	2,266	68,674
2001-02	66,602	1,767	68,369
2002-03	54,074	1,268	55,353
2003-04	22,092	928	23,019
2004-05	12,201	799	13,001
2005-06	12,264	708	12,972
2006-07	12,326	616	12,942
2007-08	12,389	523	12,913
2008-09	12,453	430	12,884
2009-10	12,517	337	12,754
2010-11	12,582	243	12,825
2011-12	12,432	148	12,881
2012-13	10,540	56	10,596

Source: State Bank of Pakistan, *Liability on Foreign Loans and Credit*, December 1963, Statement XXXII.

TABLE A-4

GLOBAL TARGETS OF THE THIRD FIVE YEAR PLAN

	Projected annual compound percentage rate of increase
GNP	6.5
GNP per capita	3.8[a]
Agriculture	5.0
Industry	10.0
Exports	9.5

a) Note that population is assumed to grow at only 2.7 per cent per annum. *Source:* [16].