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The Role of the Local Government in Community's Economic Development

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1. Introduction :

The story of the rural community's planning failure in many developing countries draws attention to the fact that in general the treatment given to the rural community development problems in less developed countries has not been appropriate and relevant to the nature and structure of the rural economy. While there are many factors which are responsible for the failure of the rural planning, the following fundamental points need special consideration :

- (1) "the errors associated with the demands made by the government for short term socio-economic and political solutions to intrinsically long term problems.
- (2) the errors driving from an overwhelming self confident belief in the virtues of the European and American approach to development in which progress is equated with urbanisation and industrial growth.
- (3) the mistake associated with a lack of knowledge concerning the patterns of life in rural areas." (Siddle.1978) 1

Short term solutions of development problems may provide political answers by persuading an inexperienced electorate of the activity and dynamism of their government, but they rarely generate positive rural change leading to a vital and essentially rural pattern of life. Nor do they provide for the needs of an individual already engaged in changing his economic base from the predominantly subsistent to partially commercial.

The approach for community development has so far been towards engineering a view of economic development along lines dominated and directed by an external culture say urbanisation.

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In other words the contribution of rural majority to the civilising process has been an increased agricultural productivity and output, the main benefits of which accrue to the urban minority. Quite clearly it is agricultural development and not rural development, which urban system requires and most strategies of rural development reflect this assumption and it has discouraged the examination of rural society as an identity in its own right.

Many social scientists have worked hard to blur the distinction between rural and urban economic and social systems. The view of rural society and rural economy as a system of interdependent relationship, a distinctive subset, within the urban system, is immediately suggestive of more appropriate approach to processes of rural development and change. (Williams, 1973)²

2.19 Community Development :

Community development embodies two major ideas. The first is that of conscious acceleration of economic, technological and social development. The second, that of locality, refers to planned social change in a village, town or city. It relates to projects that have obvious local significance and which can be initiated and carried out by local people. In general communities are units of action which combine outside assistance with organized local self determination and efforts.

It has been realised now-a-days that to achieve economic goals more quickly a large number of people, especially in the rural areas, have to be mobilized through the local government and other rural institutions, especially in the fields of rural reconstruction and mass education, and for the mobilization of local resources for social welfare and economic development.

Arthur Dunhan (1960)³ tends to view community life and the capacity for community integration and self direction. Four basic elements ordinarily found are :

- (i) A planned programme.
- (ii) Encouragement of self-help.
- (iii) Technical assistance, which may include, personal equipments and supplies.

- (iv) Integrating various specialities for the help of the community.

One of the principal problems in using democratic methods in community development is that the central government puts pressure on village level workers through the local government and rural institution to achieve national goals within a given time period. As a result the village workers attempt to speed up the programme with less democratic methods. When the programme is highly formalized as in many Five Years Plans in the past, the focus tends to be upon the programme rather than upon what is happening to the people involved in the programme. The main emphasis is upon accomplishing sets of activities in health, welfare, agriculture, industry, recreation and community's infrastructure. In this connection community development may be said to be a method through which national goals are to be achieved. The experience in developing countries shows that community development programmes have been recognised as a method designed to initiate a process of transformation in the social and economic life of the rural people.

Community development as a system is supposed to do three things :

- (i) Achieve unity of thinking and action between the official agency, the people's agency and the people ;
- (ii) transform the social and economic outlook of the people, chiefly through rural organisation.
- (iii) and conduct intensive area development based on a multi-purpose approach. (Sanders-1964) 4.

In general community development will no doubt continue to be regarded as the single most important method available to the government for coordinating social and economic planning.

Furthermore, it must not be assumed that all community development programmes are governmental in nature. In highly developed countries, for example, the stress has been upon local initiative, usually sponsored by private groups or organisations such as welfare councils, chamber of commerce, people, civic clubs etc, with only occasional assistance from some governmental agency. This com-

community development is viewed as a method of carrying out specific projects, each worthy in its own right, rather than in part of some detailed national plan or programme.

In order to accelerate the community development programme the type of social control employed will lying assumptions. In this regard at least four types of functionaries are required in community development programme.

(i) First local leaders are essential if there is to be genuine involvement of the people of the community. In a country like Pakistan where community development is tied in with the local government, these leaders may be public officials or elected representative of the people or both.

(ii) A second type of functionaries is the community organizer often called the village level worker. He should be trained in human relations skills rather than any subject matter field such as agriculture health and recreation. The rural worker is supposed to know to relate these fields to the problem areas that local people identify.

(iii) A third type of functionaries is the subject matter specialist, for example, agriculturist, sanitarian, literary experts, and the like. Under community development the local people are expected to prepare an over-all plan involving several of these fields, beginning with the projects for which they have the greater enthusiasm and sufficient means at their disposal.

(iv) The final type of functionaries is the person responsible for keeping the administrative machinery of national programme in running order. If all these functionaries become conscious about their responsibility the programme will enjoy a measure of success.

3. Local Government Functions :

Local government institutions which are important in a democratic society are broadly classified into two categories-urban and rural.

In rural areas in Pakistan, there is three their structure of administration known as District Councils, Tehsil/Talqa Councils and Union Councils. The provincial government however, has the option to drop the middle tier and have only a two tier system. (Rizvi-1980)⁵

The function and specific power in the field of rural community development and local administration have been assigned to the institutions of the local government in rural areas : as such they are responsible for :

- (a) Agricultural Production.
- (b) Rural Industries.
- (c) Medical Relief.
- (d) Maternity and Child Welfare.
- (e) Establishment of social and physical infrastructure.
- (f) Construction and maintenance of Village road, streets and the provision of sanitation drainage.
- (g) Education.

They also look after the maintenance of village records and the collection of land revenues. Furthermore they are competent to try cases involving minor offences under the Pakistan penal code and other special and local laws. Their powers of punishment are limited.

The aim of the local government is to bring about an integrated development of rural areas, covering the social, cultural and economic aspects of community life. This is sought to be achieved through the fullest development of available human and material resources on an area basis and hereby raising the rural community to higher level of living with the active participation and, as much as possible, on the initiative of the people themselves.

4. The Organisation of the Rural Community :

In developing countries, economic growth is straining at the leash of an iniquitous and outmoded social dispensation. For democratisation of the process of economic development, the willing participation and involvement of the people is crucial for its success. Nothing less than a thoroughgoing social, cultural and economic transformation of the rural economy will meet the need of the situation. The obvious

needs of the hour in almost all spheres of economic activity is organization; organization of planning to make the marriage of people's needs with available resources possible; organisation of work to enable a full utilisation of labour; organisation of education to usher in institutional changes, and above all, organisation of masses to secure their participation in economic effort and to ensure equitable distribution of the fruits of growth.

In this regard there is a need to enable the rural people, through effective organisation, to change their socio-economic environment in a manner conducive to their socio-economic welfare and progress. The traditional approach to rural development has mainly centred on seeking to involve the whole community—the rural privileged as well as under-privileged—through governmental machinery rather than being concerned with the development of voluntary independent, free and self-reliant organisations of the rural people, for effective participation in economic and social development.

The salient feature of the present rural scene in Pakistan is the existence of elected representatives of local government, and many of them are among the small elite who own the bulk of economic assets in the area and consequently responsible for the rural development and social welfare in the form of enhanced capital value. As they are elected representative, they exercise all functions of social and economic leadership so that any resources invested in the area pass directly or indirectly into their control. Therefore the basic and main element of the new approach must aim at the creation of an organisation of the rural community, strong enough to protect their interests, while, at the same time, stimulating economic growth and ensuring full participation of the under-privileged of rural area in the benefits of development.

4.1 Information and Education :

The rural institutions are and shall be engaged in informing the rural people about their opportunities and rights and educating them to use their institutions to secure these rights and avail themselves of these opportunities. The scheme for the general promotion of literacy and educational level of both the members of the rural community as also of the active leadership should be an essential component of the

local government. However this component should be so structured as to secure maximum impact in terms of creating awareness of economic betterment potentials and the ways of [realising such potentials through organized efforts.

4.2 Representation and Communications :

The need for this is obvious in view of the large scale failure of the government project in the past to have a direct and beneficial impact on the rural population. Communications, both to and from government, must be definite and concret in their objectives, institutions, and must also, if and when necessary, be capable of exercising responsible pressure for furthering and protecting the interests of their members. This, in turn, requires identification and united effort in defining and overcoming such obstacles as have prevented, and continue to prevent, the full involvement of the lower income groups and their benefiting from the overall social and economic development which is essential both in their and the national interest, Responsible pressure is defined as representation, on behalf of the members of the community, to secure legislative or executive action directly influencing the well-being of the rural people. Among the more important aspects of such action affecting the government policy towards the rural community are :

- (a) Agrarian reforms, and Tenancy Rights.
- (b) Minimum wage for agricultural workers.
- (c) Availability of inputs, credits and removal of exploitation by money lenders, and middle men, and such other measures as many be desirable for ensuring rural development with social justice.

4.3 Participation in Development :

The extent of the success of the rural institutions in achieving the aim of allowing undistorted information to reach the rural people and in educating them to use such informations would determine how far the rural people are able to use their institutions to benefit from the opportunities available. The local government could assist the rural community effectively by participation in the development

activity, among others, in following ways :

- (a) It could act as a negotiator with the Central Government and other provincial agencies for the utilization of resources and funds earmarked for development promotion, especially those which are committed exclusively to the benefit of the rural people. Since these resources are, at present, under-utilised because of the difficulties put in the way of under-privileged rural groups, there is much to gain by the development of rural institutions through which such resources could be channelized and properly utilised.
- (b) The involvement through local government could be used as a means of full involvement of the rural community in any social and economic development activity so as to ensure their due enjoyment of the benefits arising. Funds for such activities are usually available from government and also from the nationalized Banks and specialised institutions. The limit here is not always the availability of resources only but the 'absorptive capacity' of the community.
- (c) In addition to advising and assisting in the use of an introduction of new techniques, fertilizers, seeds, etc. local government can do much to encourage and assist in self-help projects such as low-cost housing and infrastructural development. It can also and, where appropriate, assist in the development of skills as well as the setting up of small scale industries on cooperative basis. It can also provide market facilities for goods & services which are necessary for the community.

In this way the local government can hope to become an instrument not merely for the realisation of the overall economic and social development needs of the rural community but can also deal effectively also with the promotion of individual and subgroup economic efforts among the rural community.

4.4 Resources and Social Planning :

Resources planning is a general term for the process of laying out better programmes for the development of natural resources, but in

almost all developing countries the planning are formulated from the view of opportunistic, short run and expediting use of the available resources on development programmes (Meier 1956)⁶

Little efforts have been made so far for the preparation of resources planning in our country. The local government agencies can do this sort of planning at least in the rural areas in order to get a clear picture of the domestic resources available at the disposal of the Pakistan rural community.

Resources planning has not been fully centralized in any society but is distributed among various departments responsible for agriculture, forestry, fisheries, mining, education, recreation, and regional development. After national plans become explicit, resources planning still contains an assortment of specialized programmes initiated and implemented by these functional units, as well as by cooperative and private corporations and rural institutions such as local bodies.

In this regard a huge centralised information gathering operation is required which will enable us to pinpoint the natural sources of raw materials to be fed into the expanding agricultural and industrial progress in the rural areas. On the basis of such information, workable plans can be built up of the projects undertaken by local government planning agencies, working within the public sector, the private sector, or some combination of both. Consequently the projects in rural areas shall be selected and shaped according to the resources and criteria set for welfare and economic growth.

Similarly a 'social' plan is designed to meet the needs of a society/ which means, in many cases, an entire nation (Myrdal. 1959)⁷. All decisions on priorities to be adopted cannot simply be based on economic calculation. There are also political decisions based on social values. The decisions embodied in a Plan are made for political reasons ; they also have long-term political effects. Thus the core of social planning consists in a plan for balanced investment in Industry and agriculture. National Plans must also allocate sufficient resources for education, housing, health, social and physical infrastructure and other kinds of social investment in urban as well as in rural areas.

5. Socio-Economic Development in Pakistan Since 1979 to 1983.

At the end of 5th Five Year Plan, the Pakistan economic trends show the restoration of viability in the domestic and external financial resources, price stability and the attainment of high growth in all sectors, and a substantial progress in education, health and other social services.

The Islamic values are being reinforced, among the people, through a campaign of social reconstruction and legislative reforms, as the spiritual and moral values of Islam provide the ultimate objectives of the government social and economic policies.

Pakistan began in 1980 a three-year programme for the Islamization of its economy (1) and to make institutional arrangements for compulsory collection of 2.5% Zakat. Now they have also introduced 5% levy on agricultural produce called Usher. (2) Nationalized banks and cooperative societies were required to make interest-free loans. (3) Banks and Business changed from interest to profit sharing. There has been an enthusiastic response from the public in this massive exercise (Survey)⁸.

The 5th Five Year Plan (1978-83) has realized its physical production and growth targets. "An average growth rate of 6.2% per annum during the plan period represents 90% achievements of the plan targets. Agricultural growth has converted large food deficit into surpluses. For the first time agricultural sector as a whole has emerged as a net exporter. Industrial production targets were achieved in most significant fields giving rise to sizeable surpluses in sugar and indigenous fertilizer. Major shortfall in the manufacturing sector was on account of the delay in the completion schedule of Karachi Steel Mill. Only partial production has become available with 5th Five Year Plan⁹. Pakistan has attained a diversified base in Chemical Steel, some heavy engineering and machine and tool industries.

Pakistan has been very fortunate. It has raised, although to a lesser extent, the relative contribution of manufacturing to GDP. It was 15% in 1979¹⁰ and has reached 17.5% in 1983, whereas the average growth rate for manufacturing from 1975 to 1980 was 5.2%¹¹. Now it has reached up to 9% during the period of the 5th Five Year Plan (1978-83).

Agriculture, as the major sector of the economy, is contributing 27.7% in the GDP at the average annual growth rate of 4.9% during the plan.¹²

Rural development is an important part of national economic policy. Three-fourth of the country's population is rural, scattered over an area of 776,096 square kilometres in 45000 villages.¹³ The present government has declared that "rural development programme aims at increasing agricultural production, improving and enhancing physical infrastructure, providing basic amenities and eradication of mass poverty, by mobilizing the community to create better living and working conditions in the rural areas through participatory institutions"¹⁴. This policy indicates that more emphasis has been given to rural development during the present regime.

The economic history of Pakistan proves that a number of rural development programmes were introduced from time to time under different names such as : Village Aid, Rural Works Programme, Basic Democracies, Integrated Rural Development Programme and People's Works Programmes.

However during the first, to 4th Five Year Plans, the majority of small farmers did not receive much benefit from these programmes and the impact on the rural life was quite marginal. In a wide sense they failed to achieve the desired increase in agricultural productivity and to develop the expected leadership, initiative and drive in the people. Some of the reasons for the failure were :

- (a) the temporary nature of the programme which could not attract and retain the talented persons.
- (b) selection of the personnel was unfortunately fair in the sense that the technical persons were subordinated to non-technical executives.
- (c) because of the rivalry between rural development institutions and other nation building departments.

In 1979, the representative local institutions were introduced in the country to coordinate and implement the new rural development programmes in order to mobilize the local resources and improve the rural economy.

The ultimate objective of the economic policy is to improve the standard of living and quality of life in the country. Unfortunately in the past Pakistan has never experienced a smooth economic growth with the exception of few years between 1958 and 1968 because of political and social instability since independence.

The economy of Pakistan, starting with a weak base in 1977-78, has emerged in a stable and strong complexion in the period of 5th Five Year Plan (1978-83). It is so because the present government has maintained a development-oriented policy while recognising the role and importance of the private sector. Furthermore it has provided better opportunities for capital investment and has adopted a liberal import policy for capital goods and has maintained a consistent policy of gradually adjusting wages and salaries in line with the impact of changes in prices.

In this regard the local government institutions have contributed praiseworthy achievements in the following sectors, as shown in the table given below :

Rural Development—Physical Targets/Achievements¹⁵

Items	Units	1978-83 Plan Target	Estimated Achievements
Rural Roads	Miles	42020	39878
Water Supply	Population Covered	36%	30%
Sanitation	-do-	3.5%	1.79%
Rural Health	-do-	100%	N.A.
Primary Schools	No	10598	N.A.

Source : Planning Commission Govt. of Pakistan Islamabad

6. Conclusion/Suggestions :

At the end I have to mention that the local government institutions have helped to provide significant employment opportunities for the rural population and have helped in mobilizing additional financial and manpower resources for the implementation of local projects. It has also made possible the association of large segments of the rural population with the development effort.

In order to deal with the crucial and structural problems of our economy there is a need to bring about the following changes :

- (a) The transformation of an impoverished rural economy into viable production sector capable of meeting the food and basic material needs of society.
- (b) The transformation of the rural economy into a diversified economic system with labour-intensive agro-based industries in rural areas.
- (c) The creation of a social system founded on the principles of equality and Islamic social justice.
- (d) The development of decentralised planning system that is close to the people and based on their needs and requirements.

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 15. **Evaluation of the Fifth Five Year Plan, Islamabad p. 54.**

Political economy of Public Organizations in a Developing Country : A Case Study of Pakistan

DR. KARAMET ALI*

Economic development has been of primary concern to all the nations. Developing countries are making efforts to accelerate their rate of economic growth for achieving this objective. Organizations whether private or public play very effective and important role in this respect. "Private as well as public organizations are the instruments through which a community attains its social objectives, such as higher standard of living and their internal structure corresponds to the executive segment of a political system. Persisting organizations, therefore, are analytically part of the complex of political institutions."¹

But public organizations are different from private organizations in many respects. "The major features distinguishing public and private organizations are found in basic differences in the political bases of organizations and their mechanism of economic resource procurement."²

Public organization in developing countries are the instruments of carrying out public policies. Implementation of economic policies is the sole objective of many such public organizations. These organizations are the product of different economic policies formulated by different governments for economic development of a country. Politico-economic process is the base of these organizations.

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1. Talcott Parsons, *Structure and Process in Modern Societies*. Glencol: Free Press, 1960, pp. 41-44 as quoted by Peter M. Blau, *Exchange and Power in Social Life*, U. S. A. : John Wiley & Sons, Inc., 1964, p. 279.
 2. Gray L. Wamsley and Mayer N. Zald, *The Political Economy of Public Organizations*, U.S.A. : D.C. Heath & Company, 1973, p. 6.
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The aim of the paper is to show that how in Pakistan during 1947 to 1974, such organizations emerged because of the political and economic considerations of the ruling governments during this period. Public organizations will be analytically analyzed in the perspective that these organizations are caught up in the problems which are faced by these nations due to their social-political-economic structure and international political-economic relations. It is important to study organizations in this perspective because it is in the environment of organizations that the major source of change is to be found, especially in public agencies. And it is environments that play a leading role in the changes that take public organizations from the realm of placid routine to crisis and controversy. To ignore the dynamics of agency-environment relations is to reduce the quest for theory analysis of administrative (or in the case of Simon, management) techniques, or to an examination of organizations as closed systems."³

Pakistan, at the time of its independence, i.e., August, 14, 1947, had no industrial base. Most of the industry, at the time of independence, went to the share of India. "The total number of factories counted at the time were 921, employing 1,137,150 persons daily. Out of these only 34 (that is less than 4 percent), with a total daily employment of 26,400 persons, came to Pakistan. Considering the 20 percent of the total population of the subcontinent (according to 1941 census) lived in Pakistan areas, this was a meagre share. Moreover the industries in Pakistan were of a comparatively small size and met very simple needs."⁴

Rapid development of modern industrial sector has been adopted as a policy for economic development in Pakistan. The basic assumption underlying this policy is that the economy of a developing country consists of two sectors— — — a modern sector and a subsistence sector. In the latter, there exists a massive surplus of labour with its marginal productivity nearly zero. Therefore, it is possible for industrial sector to develop by attracting surplus labour from the subsistence sector at low wages. As wages are low and profits are high, more reinvestable funds are created leading to industrial expansion, with increase in employment opportunities for the surplus

³ Gray L. Wamsley and Mayer N. Zald, *op. cit.*, pp. 14-15.

4. Ministry of Information & Broadcasting, Government of Pakistan *Twenty Years of Pakistan : 1947-67*, Pakistan Publication. 1967, p. 183.

labour and national income. This process is considered continuing until the surplus labour in subsistence sector is absorbed by the modern sector and self-sustaining process of economic development is initiated. This view has been the basis of development policies in Pakistan. Although Pakistan's economy was basically agricultural and 80 percent of the population lived in rural areas, industrial development was considered the basic strategy for economic development of the country. So many public organizations emerged for stimulating the process of industrialization.

The other important policy of the government has been to encourage free enterprise through all types of incentives concessions and assistance. In his foreward to the Third Five Year Plan, president Ayub made reference to the principles of economic policy of his government.

"Our approach to economic planning has been pragmatic all along. It has been the constant endeavour of the government to mobilise the creative energies of the nation and all possible incentives for the stimulation of private initiative. The government has limited its own role to providing a suitable framework for the private sector and to the creation of those facilities which the private sector had neither the ability nor the willingness to develop. There have been on grand experiments in nationalization, no fancy slogans about socialism, no undue intervention in the private sector."⁵

Pakistan's dependence on foreign assistance in terms of loans, technical assistance and aid, like other developing countries, has been enormous and increased over the period of time under consideration. This is an important aspect to be considered while studying developmental organizations developing countries because most of these organizations are linked to foreign assistance in one way or the other. Some of these organizations are financed by foreign aid, while others headed or advised by foreign experts. There are two implications of such assistance, important for organizations. One is the political strings attached to the assistance and the other is that most of the foreign advisers and experts are unaware of the social, political and economic structure of these countries and try to implement programs

5. Planning Commission, Government of Pakistan, *The Third-Five Year Plan* ; 1965-70. Pakistan ; Government Press, May 1965, p. iv,

assuming that the conditions are same as in advanced industrialized countries. Foreign assistance has been considered very essential by the governments for economic development of a country.

These were the main underlying policies of the governments during 1947-70 and for pursuing these policies, a number of organizations were set up. Development Board (1948), an Industrial Development Finance Corporation, an Industrial Investment and Credit Corporation (1949), Industrial Development Corporation, a Directorate of Cottage and Small Industries, and a Refugee Rehabilitation Finance Corporation (all in 1952) are some of such organizations. As the military came in power in 1958, some these organizations were reformulated and also many new emerged. Pakistan Industrial Development Finance Corporation was converted into Industrial Development Bank of Pakistan (1961) and new organizations like Investment Advisory Centre of Pakistan (1963), National Investment Trust (1962), Pakistan Investment Corporation (1966), were established.⁶ With the government in power headed by Zulfikar Ali Bhutto of the Pakistan's people party, which claimed to be a socialist party, some of these organizations were abolished, some reformulated and new organizations as Board of Industrial Management (1972) emerged.

Now before studying some of these organizations in detail, it is important to briefly discuss the political, administrative and social structure of the country which will be essential and useful to understand the organizations in the perspective as stated in the beginning of the paper.

The political scene of the country has been dominated by landlords, bureaucrats who joined politics or got political positions through one way or ther. Mr. Chulam Muhammad who was in Indian Finance Service became Governor General of Pakistan in 1951. Khawja Nazimuddin, and Malik Feroze Khan Noon who were Prime Minister for same turny durnig 1954-8, same from Landed anistocoy. Iskindar Mirza who was Governor General and then president in 1956 was also a bureauerat. Similarly Ghauhdhri Muhammad Ali who was Prime Minster in 1955 was from Indian Finance Service. Muhammad

6. Source of Information : Ministry of Information & Broadcasting. *op. cit.*, p. 185.

Ayub Khan who was in power from 1958-1969 and Mr. Yahya Khan who was in power from 1969-72 were from the army. In the people's party Government although there were people from middle class but still the dominating group is of landlords, bureaucrats and industrialists. Whatever the form of government and constitution, the Cabinet members, members of National and Provincial Assemblies and people holding key offices in political parties have been from the classes mentioned above.

A number of people can be mentioned who were in bureaucracy but gained political position during the period under discussion. This trend is a good indication of powerful and influential bureaucracy in the country.

The entire administrative structure and statecraft was inherited from Britishers. Ambition to rule the country, luxurious life, greed, pride and corruption, are generally the characteristics of public servants in the developing countries, though they are supposed to carry out the policies of government for the welfare of the people. And may of the public servants in Pakistan was no exception to it.

Social structure of the country is dominated by feudal, traditions and values. Contentment, alienation and social apathy are prevailing in all sections of population which are the product of politico-economic structure of the country. Landless peasants, unemployed labourers, frustrated students and corrupt bureaucrats can be seen everywhere in the country. Concentration of power, lack of initiative and indifference to economic incentives are the landmark of people working in public organizations.

These are the factors which make bureaucracy in developing countries different from that in Western societies and as bureaucracy is the base of such organizations, the operational differences of public organization in developed and developing countries are obvious. Prebisch has rightly stated that "while the structural components of bureaucracy are often similar in each milieu, the behavioral manifestations are often quite different. Particularly, one tends to overlook the extent to which the manifest goals of bureaucracies, in underdeveloped countries are challenged by their welfare imperatives. Perhaps useful index for differentiating western and non-western bureaucracies is the relative balance between Weberian claims

for skills impartiality, predictability and the achievement of the organizations formal objectives and welfare claims that stress cooperation, full employment and fringe benefits... The western bureaucratic model, with its structural and behavioral elements of efficiency, rationality and control rests upon certain normative assumptions about time, man and motivation. When such values are absent or when they are sharply challenged by the objective of "welfare bureaucracy", the merely existence of highly-bureaucratized organizations, as often seen in traditional society, tells us little about their operational consequences. Where social do not assign a high priority to objectivity, productivity and economic gain, the manifest structure of bureaucracy is of little relevance as a guide either to its real goals."⁷

For detailed study, Pakistan Industrial Development Corporation (PIDC) will be one of the most suitable organizations. The PIDC was established in 1952 "with the object of promoting industrial enterprise which private industrialist were either unable or unwilling to take. With this view fifteen industries were named in the schedule of PIDC Act of 1950. The corporation was meant to supplement and not to replace private enterprise its emphasis was not on ownership but promotion... The corporation begins by carrying out a preliminary survey for which a revolving credit is available. Efforts are made to associate private capital from the beginning, failing which the project is pressed on nevertheless. After it is completed, efforts are reviewed to attract private capital or sell it out. If again there is no success it is converted into a joint stock company and its share placed on the market with the corporation as managing agents. The PIDC was set up with an authorised capital of Rs. 10 million (\$ 1 million), only half of which was subscribed by government. All the finances for projects undertaken come from annual budgetary grants of the central; from foreign aids and loans; and from working capital obtained from private banks on normal commercial terms."⁸

The organization al structure of PIDC was based on principle

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7. Robert V. Perthus, "Weberian Vs Welfare Bureaucracy in Traditional Society" *Administrative Science Quarterly*, Vol. 6, No. 1, June 1961, pp. 2-24.
 8. Ministry of Information and Broadcasting, *op. cit.*, pp. 187-188,

of centralized authority. P I D C was an organization linked with the central government and no relation with the provincial governments as far as decision and policy making was concerned. Chairman of P I D C was the central figure with centralized authority of decision making and the only man responsible for operations of the organization and answerable to the central Ministry of Industries. The first result of this centralisation was that all the decisions even for simple affairs were to be made by chairman. Moreover as it was a central government organization, its decisions were irrespective to the provincial conditions and decisions of those governments. East Pakistan province was a thousands mile away from West Pakistan province where the central office of P I D C and other offices of central government were located. After 10 years of this structure with all its problems and difficulties, it was decided in 1962 that P I D C should be provincialized and put under the control of provincial governments". Thus in 1962, P I D C became as East Pakistan Industrial Development Corporation and West Pakistan Industrial Development Corporation. This change in the structure of the organization did not only emerge because of administrative problems but also because of political factors. Provincial autonomy which was the political demand of people from East Pakistan and less centralization were the main factors responsible for this change. The objectives of the organizations remained the same but the finances for the projects undertaken by the organization were now the responsibility of provincial governments instead of central government. People of East Pakistan were of the opinion that although it is a centrally financed organization in which they contribute the share, but West Pakistan gets more than its contribution in terms of the projects being launched and in decision making process by the organization. It is a dilemma of centralization and autonomy which such national development organizations face in developing countries. It will come again and again as other organizations are discussed.

The other dilemma is a "Mixed-economy dilemma". On one hand, governments in developing countries want private enterprise to progress but on the other hand the government has to initiate industrial projects and promote free enterprise by various policies. This is the dilemma which P I D C faced as an organization with double and conflicting objectives. Although P I D C encouraged private sector

but it was not possible for the organization to make public sector strong and self-sustaining in the process of industrialization in the country. But this policy did not help in developing a public sector. Most of the time industries were established and handed over to private enterprise. The efficiency of P I D C was affected because on one hand people working for P I D C as managers of such industries had no incentive to run them efficiently as they were to be taken over by private sector in this case. On other hand all industries which did not make reasonable profits were never taken over by private sector and P I D C has to run them. So P I D C because of the policy of promoting private investment became an inefficient organization.

The other important consequence of this policy was link between bureaucrats and industrialists, because of the policy of P I D C, which led to corruption of bureaucrats and undue advantages made by industrialists. Some of the industrial units initiated and owned by P I D C were intentionally run inefficiently by the managers and P I D C sold these on very low prices to private entrepreneurs who had links with these managers and knew about it. Afterwards these managers resigned from P I D C jobs and joined those private companies running those units. Most of the time a share of the difference between the actual value of the unit and the value at which it was bought by the entrepreneur went to the pockets of the high ranking people in P I D C as a reward for their favour. These links were not used in P I D C operations but also in other forms when the bureaucrats working in P I D C were transferred to other organizations, departments or divisions. Political influence of industrialists as well as bureaucrats became tremendous in Governments during this period.

Hence, there is evidence that an organisation was not working inefficiently just because of its organizational structure, but also because of the policy of the government. Political factors did bring a change in the structure of organization and objective of the organization also influenced the political structure of the country by linking industrialists and bureaucrats which were the strongest class when Peoples laws government took power in 1972. It is important to keep this link in mind because it leads to another dilemma.

As new government came in power, P I D C was abolished because it had no role to play according to the policies of this government. That government claims to be a socialist government and before coming in power the party had promised to the people the introduction of a socialistic economic system. Islam, socialism and democracy were the three basic principles of the party's manifesto. Nationalization of key industry was one of the basic solutions put forward by the party for improving the economic situation of the country. So under this new policy proposed by the government, there was no need of PIDC and P I D C banished not because of its structure and efficiency only but also because of political and policy change.

The peoples party government established "Board of Industrial Management" (BIM) in 1972 for carrying out its policy of nationalizing industry. Government took over the management of 31 industrial units. It is important to understand that it is not nationalization of industries but change of management from private enterprise to government appointed people. Industrial units producing steel, light engineering, automobile, machine tools, petroleum refining and products, fertilizers, chemicals, cement and vegetable oil were taken over. The total paid up capital total to Rs 82 crores (8.2 million). The aggregate employment in 51 operating units is around 48,000.⁹

Centralization of authority and decision making was the basic principle of this organization and it was a common feature for all public organizations in Pakistan. Board has a chairman in the person of the Minister of Industries and production. It also had a vice chairman in the person of the Special Assistant to the prime Minister on Economic Affairs. All the ten chairmen of corporations sat in the meetings of the Board, but only three of them were the members of the Board who were appointed as such. Minister of Industries and production was also the head of Ministry of Industries and production. He was also a member of the National Economic Council which supreme decision making body in the economic sphere presided by the Prime Minister of the country.

9. Source of Information : Pakistan Economist, June 7, 1975, p. 5.

Each corporation consisted of all the industrial units producing similar good. Each industrial unit was headed by the Managing Director and had different departments as accounts section, sales department, purchase department and labour office, each headed by accountant, sales officer, purchase officer and labour officer respectively.

There was no decentralization and authority was not delegated to the persons qualified to handle a given problem. That is the dilemma between centralization and autonomy in large organizations. The autonomy required for effective operations in the major segments of an organization and the centralized direction required for effective coordination of the various segments often come into conflict, and many practices instituted to further one impeded the other. The prototype is the perennial conflict between professional and administrative requirements in bureaucracies with professional personnel.¹⁰ B I M is a good example of this dilemma and conflict. Any departmental decision was referred to the Managing Director of the firm who referred it to the chairman of the corporation and the chairman of the corporation sought decision from the chairman of the B I M who was Minister of Industries and production and also headed Ministry of Industries and production. So bureaucrats in the Ministry played a deciding role in all the decisions of B I M. Here comes the conflict between bureaucrats and professional people heading the departments of the firm, and corporation. The people running the firms and heading the corporations are well qualified technocrats but the people who are deciding about the matters concerning these firms and corporations are the bureaucrats who are generalist civil servants. These civil servants and bureaucrats are basically against the policy of taking over of industrial units by government. The main reason is that their friends, i.e., private entrepreneurs are not happy with this policy. The strong link between industrialists and bureaucrats which emerged as the policy of the governments before 1972 was the most important factor in this respect. Now on one hand industrialists could not manipulate the economic and political situation of the country and other hand bureaucrats were not enjoying the privileges and luxuries provided to them by private entrepreneurs.

Not only that bureaucrats disagreed with the policy of taking

10. Peter M. Blau, *op. cit.*, pp. 319-320

over industrial units by government but also did not like that technocrats and professionals well the heads of industrial units and corporations. In the last 25 years, they were the most powerful and influential element in the country. Technocrats and professional have been working under these generalist civil servants during this period which they never liked. The conflict between technocrats, professionals and bureaucrats has prevailed during all this time and had taken its worst shape in the peoples party government.

Because of administrative hurdles created by this organizational structure, industrial units are running inefficiently and private entrepreneurs are arguing that nationalization is an inefficient way of progressing and accelerating economic development.

There exists unhealthy competition between private sector and public sector on one had and between generalists civil servants and sechnocrates on other hand, Technocrates are getting frustrated because of administrative intricacies and bureaucrats are using this as an indication of their non-capabilities. Industrial units are surviving because there is no competition and corporations have monopoly in producing goods and fixing prices. Who is paying the price for all this? Public in terms of having lower standard of living as prices are increasing and the quality of the goods is deterving.

B I M is a good example of monolithic, centralized, monopolistic organization facing problems not only due to its structure but also because of the policies being persued and political-administrative structure of the country in general. The main contradiction arising out of the half-hearted and novel type of nationalization keeping all the other structure same.

As industrialization was considered the essential and basic policy for developing economy of a country, all types of facilities and incentives were provided. Financial and advisory instutions were established by the government for persuing the policy. Pakistan Industrial Finance Corporation which was established in 1949 was abolished in 1957 because of its inefficient performance and a new organization called Pakistan Industrial Credit and Investment Corporation (P I C I C) was established. Later Industrial Development

Bank of Pakistan (I D E P) was established in 1961.¹¹

These are two public organizations for providing financial assistance to the private sector for the establishment of industrial units and their extension. They provide medium term and long-term loans, in local and foreign currency with a view to accelerating the tempo of industrial development. They overlap in their objectives but P I C I C is, considered a public limited company with foreign and domestic private investors and with some government representation on its board of directors. One of the problem of public organizations in a developing country is their overlapping functions and objectives with minor differences.

Mixed-economy dilemma comes again because there are commercial banks for providing the financial assistance to industry. Unhealthy competition existed between commercial banks and such public organizations providing the same type of facility except with some differences. Commercial banks with short term liabilities are not supposed to be involved in long term commitments. Moreover, it is not just a matter of lending money but also quite often participation in the ownership of industry. Industrial banks or financial institutions have to play a part in providing equity also. There has been always a confusion about the demarcation of activities between I D B P and P I C I C on one hand and role of these institutions and commerce banks on other.

Because of political reasons the Head office of I D B P was shifted from Kharchi (West Pakistan) to Dacca (East Pakistan) in 1970. After the separation of East Pakistan, Head office was re-established in Karachi 1971. Industrial Development Bank of Pakistan can be good example of linking professionals with private entrepreneurs and implications of such a link. Loans were sanctioned for the projects, not on the feasibility of the project but on the basis of relationships between the Management of the bank and the entrepreneur. There has been no effective procedure of evaluating projects for which money was sanctioned. Commerce banks have been offering high salaries, better facilities and rapid promotions

11. Source of Information : Ministry of Information & Broadcasting, *op. cit* p. 176.

which attracted most of the people with good managerial capabilities working in I D B P. Because of lack of objective criterion for sanctioning loans and evaluating projects afterwards, it has been difficult to recover loans. I D B P became an inefficient financial institution not only because of organizational deficiencies but also because of the policies pursued and politico-socio-economic structure of the country.

In 1974 peoples party government forth over the management of commerce banks which. All banks were nationalized and the distinction between I D B P and other commerce banks as far management was concerned ended because of change in the policy of government. The role of I D B P as providing financial assistance to private entrepreneurs is dubious because of litter investment activities took place in private sector during 1972-77.

Taking over management of industries and uncertainty about the new policies of nationalizing private sector by the government made private entrepreneurs reluctant for new investments. Similarly the role of P I C I C is not clear under the new pattern of economic system. P I C I C and I D B P with their former objectives had no role to play because of change in policies of the government.

Myth about the lack of management in developing countries as an obstacle to industrialization and economic growth is common in these countries. Government of Pakistan established an Investment Advisory Centre of Pakistan (I A C P) in 1963 for coping with this problem. I A C P was established as an independent non-profit organization to render advice, to both public and private sectors, in investment, planning and management. In 1962 the government of Pakistan started negotiating with U S A I D for help in this respect. The dilemma of such an organization was that all the professionals required were foreigners and for a long time centre was just a training centre for Pakistanis working with these experts. Only government financial institutions benefitted from the centre. In 1965, organization started charging from private sector and became a profit organization.¹² The role of I A C P in present time is an advisory to the

12. Source of Information : *Pakistan Economist*, August 15, 1975, p. 16,

government institutions which may have financial advisor as a part of their organization. It looks like that I A C P is turning into a research centre conducting research on investment potentialities and advising foreign governments. Again changes in policies have made an advisory organization to play a different role from for what it was established.

Although agricultural development was not given due attention in the earlier years, some organizations were established for this purpose. Because 80 percent population lived in rural areas, landlords were a dominant force in politics and country was primarily agricultural, it was not possible for any government to neglect agriculture sector completely. The matter was only of preferring industrial development over agricultural development. The main feature of agriculture in Pakistan is few number of big, absentee landlords and a large number of small peasants, landless tenants and agricultural labourers. Landlords were always interested in maintaining status quo and the development of rural areas although beneficial to them economically was against their political dominance and feudal rule. They were willing to sacrifice the economic benefits for their influence and prestige. As they were not interested in any type of rural development, so inspite of being predominant in political sphere, they never pressed for policies leading to agricultural development or against policies discriminating agriculture and preferring industry. It is important to understand this feudalistic attitude which is contrary to profit maximization. So any type of organization except which is only beneficial for big land lords could not be established in rural areas of this country. The main organizations which were established were organizations giving financial assistance to these big land lords and providing other facilities which were beneficial to them. In 1952 the Agricultural Development Finance Corporation was established. In 1957, Agricultural Bank of Pakistan was established, Later, it was realized that these two financial institutions have overlapping objectives. So in 1961 the two organizations were converted into Agriculture Development Bank of Pakistan. The Agriculture Development Bank of Pakistan (A D B P) advances short-term medium term and long-term loans for raising crops, marketing of crops, purchase of agriculture implements and machinery and for various other

developments in agriculture.¹³ Another organization established was Agriculture Development Corporation (A D C), for providing fertilized, improved seeds and expert advice on agricultural improvements.

Although organisations were established for agricultural development in general and for all the people, but because of socio-economic structure of the country, only big land lords, which is 5 percent of rural population, benefitted from these organizations. 80 percent small peasants, landless tenants and agriculture labourers has little to gain from these organizations because they did not have land to improve it or get financial assistance by showing their land ownership. Loans by banks are always granted against some property to cover the risk.

These organizations became a link between big landlords and bureaucrats. Bureaucrats were influenced by these landlords and got benefits from them in regards to all public policy matters. Agriculture reforms and other efforts to improve the lot of poor rural people have always been frustrated because of this strong link. Bureaucrats who are supposed to carry out these policies are the allies of the class which is strangly against the improvement of the condition of poor people. Whatever good policies government may make, such as land reforms, without change in socio-economic structure, no policies will be carried out in its spirits and no organization will be able to fulfill its objectives in real sense.

One of the most fascinating experiment for rural development political and social institutions was carried out by the government in 1962. Basic Democracies and associated scheme, i.e., Rural Works programme were devised to build into the administrative system, a decentralized, local admintstration which should be sensitive and responsive to public welfare. Basic democrats were from the local areas and were supposed to carry out normal development works on the basis of cooperation and local situation. Rural works programme was initiated to utilize the idle labour force and to inject capital into rural economy.

13. Source of Information : Ministry of Insormation and Broodcasting *op. cit.*, p. 368.

The programmes were basically decentralized and were carried out by the people of the area under the leadership of "Basic Democrat". So the problem of centralization and not understanding the local situation and needs was solved. The only outsider in the programme was "General Secretary" of the Union Council. But the fate of these organizations were not different from the other because of the social, political and economic structure of the country. Most of the "Basic Democrats" were either big landlords themselves or their allies which were not interested in any type of change. General Secretary was just trying to maintain an office in order to keep his job. He did not want to mobilize the general people of rural areas because he was afraid of the "Basic Democrats" who were opposed to such movement. The only way out for him was to fill in the files for making his superiors happy who were also an ally of big landlords and conflict with "Basic Democrats". He did not know local people and area conditions. His only link was with "Basic Democrats".

Another similar organization which was established in rural areas by the government was Village Agricultural Industrial Development (V-AID) which met the same fate as any other organization in developing country and was abolished by the military government.

The government which assumed power in 1971 abolished "Basic Democracies" and initiated on the national level an "Integrated Rural Development programme (IRDP)." While launching IRDP on July 1, 1972, Prime Minister Bhutto admitted that so far we have tried many plans of village uplift but they had failed and that IRDP was probably our last hope to improve the economic position of the vast majority of our small farmers, and thus to improve the quality of life in villages, to afford employment opportunities, and to reduce the gap between the urban and rural areas so that the people living in the villages may participate with pride in political, social and economic life of a country.¹⁴ In achieving its objectives as an organizational structure, It faced the problems which all other organizations of this nature had faced or are facing in existing socio-economic structure.

¹⁴ Editor, "The Meanings of IRDP", *The Pakistan Economist*, December 1, 1972, p. 5.

The dilemmas of these organizations are not particular to the structure of organization but are dilemmas of socio-economic structure in which these organizations are trapped. There are four main such dilemmas :

- (i) Mixed-economy dilemma ;
- (ii) Centralization vs Decentralization dilemma
- (iii) Technocrats vs Bureaucrats dilemma : and
- (iv) Welfare vs profit Maximization dilemma.

The main dilemma of organizational structure is "Centralization vs Departmental Autonomy". So far this dilemma is concerned, the difference between developed and developing countries is of the degree. In developing countries there is more centralization of authority and decision making power as compared to the developed countries. But the dilemmas related to the socioeconomic conditions of the developing countries in which public organization are caught up, are peculiar to these countries. Moreover, political changes and changes in public policies lead to reformulation of the objectives and structure of such organization and in certain cases they are abolished and new organizations emerge.

In case of Pakistan, these public organizations played an important role in linking civil servants with industrialists, big landlords and army. Bureaucrats emerged as a strong class and played vital role in the politics of the country. So organizations were not only affected by political changes but they also played part in leading to changes in political structure of a country. The real political power has been in the hands of civil servants which was the result of such organizations.

Although some of these organizations have been abolished by the new government or even by the governments which established them, because of inefficient working and not achieving the objectives for which they were formulated. But still they have provided an experience to the planners and policy makers to avoid the shortcomings and come up with more efficient organizations. It would be unjust to blame these organization for inefficient in themselves, They are the product of the system and as the system is inefficient, the inefficiency of these organizations is inevitables.

The situation of the country is not bleak or devastating. There are all the potentialities in the country to develop at a steady rate and such organizations can play an important role if they are geared into a right perspective. The country has faced the crisis of succession in 1971 and has survived as an independent and progressing country for the last 36 years in spite of all political, social, international and economic hazards.

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Protectionism and Structural Adjustment : A Case Study of Pakistan

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The composition of exports and the destination of goods exported plays a crucial role in the growth of exports of any country. The importance lies in the fact that if exports consist of primary goods, demand for which is rather inelastic and supply also inelastic, one does not have a very bright prospects for growth of exports. Similarly, if the exports reach such countries which have either sluggishly growing economies or the protectionist policies are the rule, then the situation is even more depressing. In Table 1, we present the structure of Pakistan's trade. The table clearly brings out Pakistan's heavy dependence on the developed market economies (DMEs) for exports as well as imports. Although even at present share of DMEs in Pakistan's exports is around forty per cent, yet it is significantly lower than the share of DMEs in Pakistan's export in the early Seventies, when it was around fifty per cent. The decline in the share of exports of DMEs in Pakistan's exports together with the fact that Pakistan's exports did not grow significantly during the Seventies clearly shows that the demand for Pakistani exports in the DMEs did not increase in any significant way. While this could partly be due to recession in the DMEs, it cannot be denied that major factor has been the protectionist policies pursued by most of the DMEs.

It may be argued that the imports of Developed Market Economics from developing countries have risen more sharply than those from the other countries, and as such the protectionist measures do not hit the developing countries. It is true that the imports of DMEs from developing countries did increase by 5.6

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TABLE I
Structure of Pakistan's Imports & Exports

Years	Developed Market Economies		Centrally Planned Economies		Developing Economies	
	Percentage Share in Exports	Percentage Share in Imports	Percentage Share in Exports	Percentage Share in Imports	Percentage Share in Exports	Percentage Share in Imports
1972-73	49.1	64.3	9.8	12.2	41.1	23.5
1973-74	42.3	67.3	6.6	10.1	51.1	22.6
1978-79	47.4	59.8	4.7	6.5	47.9	33.7
1979-80	39.4	53.5	10.0	6.6	51.0	39.9

SOURCE : A.R. Kemal, *Import-Export Structure and Trade Expansion in South Asia*, PIDE 1982.
(Mimeographed). A study prepared for Committee on South Asian Studies,

per cent over 1973-80 period as against an overall rate of increase of 4.2 per cent, yet this must be qualified by two things. First, despite the faster growth rate of imports from non-oil developing economies in total imports has gone down from 15.1 to 14.7 over the same period. This shows that the terms of trade have moved very adversely against the developing economies. What they gained in volume have lost in the prices. Second, the major beneficiaries of export expansion have been a very few countries whose export structure is diversified significantly. The last factor implies that those countries benefitted most from trade expansion which could avoid the products subject to protective duties in DMEs. It implies not been pursued, growth of exports of developing economies would have had been even higher. Unfortunately, as shall be shown later, Pakistan has been one of these countries which could not avoid the effect of protectionist policies on her exports.

In order to analyse the extent to which protectionist policies have been responsible for the decline in the share of DMEs in Pakistan's export, we shall analyse the structure of Pakistan's exports to developed market economies. The major exports of Pakistan subject to restrictions imposed by the developed countries are reported in Table 2, while other exports to developed countries which are either not significant or are not subject to restrictions, because they are primary products,* are shown in Table 3. Table 2 clearly shows that twelve manufactured products, all of which are subject to either tariffs or various types of non-tariff barriers (NTBs) including quantitative restrictions, account for more than sixty per cent of Pakistan's total exports to the DMEs. It is interesting to note that although share of individual export items did change over time, these twelve products accounted for about two third of Pakistan's exports to DMEs during the Seventies. It is important to note that the share of cotton yarn and cotton fabrics has declined significantly over 1972-73 to 1979-80 period, the share of clothing (excluding fur clothing) and floor coverings has increased rapidly over the same period. The share of remaining products has remained somewhat constant.

* However, import of rice in EEC is subject to import levies.

TABLE 2

Composition of Exports to the Developed Market Economics

	Percentage Share of the Production in Pakistan's Exports to Developed Market Economics			
	1972-73	1973-74	1978-79	1979-80
Leather	10.87	7.64	10.10	8.11
Manufactures of leather	0.62	0.83	0.73	1.01
Footwear	1.48	1.54	0.87	0.96
Textile Yarn and Thread	17.68	10.36	7.66	6.57
Cotton Fabrics	15.10	24.13	13.95	11.11
Fobrics—Non-cotton	0.24	0.12	0.05	0.06
Articles of Textiles Materials	1.69	4.60	3.43	3.83
Clothing not of Fur	1.97	5.56	5.04	6.86
Floop Coverings, Tapeสเตอร์ees	7.24	9.83	19.96	22.15
Scientific instruments	1.81	1.80	2.34	2.54
Cutlery	.02	.03	.13	.22
Toys, Games & Sporting goods	2.75	3.59	2.18	2.40
	61.47	70.03	66.44	65.82

Source : "Export Receipts", Monthly Bulletin of State Bank of Pakistan, Karachi (Various issues).

It is interesting to analyse as to what constitutes the remaining thirty to forty percent of Pakistan's exports to the DMEs. The other main export products are shown in Table 3 which shows that almost exclusively consist of primary goods, the demand for which is not all that elastic. Therefore, we may conclude from the above that the DMEs demand for exports of Pakistan is not expected to grow sharply, partly because of the primary goods for which demand is not very elastic and constituted one third of total exports and partly because the manufactured products, in which Pakistan has comparative advantage, are subject to severe controls.*

How much exports of Pakistan are being hurt by the protectionist policies of course depends on the share of DMEs in Pakistan's

* A U.N. Study [UNIDO, 1982] on the Revealed Comparative Advantage shows that Pakistan has a comparative advantage in all these products.

exports of the twelve main products. Table 4 shows the share of DMEs in the export of twelve products. The table clearly shows that with the sole exception of non-cotton fabrics, Pakistan's dependence on the DMEs for all of these exports is rather high. Moreover, the share of developed countries has declined over time in leather, leather manufactures, cotton yarn, and non-cotton fabrics and games and toys. This underlines the fact that the protectionist

TABLE 3

Share of other Products in Pakistan's Exports to DMEs

	1972-73	1974-75	1978-79	1979-80
Cotton Raw	16.60	13.83	4.63	3.34
Rice	0.89	0.25	1.76	6.67
Wool and Animal Hair	1.96	0.88	1.17	1.26
Oilseeds, nut and Kernel	1.79	1.06	0.45	0.45
Crude Vegetable material	1.97	3.79	3.06	3.61
Feeding stuff for Animals	1.01	0.83	0.44	0.56
Crude Animal material	0.87	1.30	1.15	1.04
Fish fresh and preserved	3.91	2.89	0.45	4.17
Fish tinned	0.85	0.56	0.58	0.71

Source: "Export Receipts", State Bank of Pakistan, Karachi, (Various Issues).

polices are expected to have a formidable depressing effect on Pakistan's exports.

The loss of DMEs share in exports of all the major exports of Pakistan, created serious adjustment problems for Pakistan. However, the correspondence of the decline in the share in Pakistan's exports as shown in Table 5 points to the fact that Pakistan failed to increase exports to other areas following the decline in the exports of a particular product to DMEs. In order to pursue the explanation of decline in share of DMEs in Pakistan's exports, we analyse the rate of increase in exports of the product; vis-a-vis the growth rate of overall exports of Pakistan and the relationship between the share of DMEs and the ceilings imposed by the developed economies.

TABLE 4
Share of Developed Market Economies in Pakistan's Exports
(Commodity Wise)

	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Leather	83.57	85.06	67.48	66.47	56.38	61.47	66.66	55.51	60.96
Manufactures of leather	90.88	93.34	85.18	81.57	88.35	91.86	89.22	83.14	74.29
Footwear	60.06	67.20	74.92	65.54	68.76	83.19	76.04	76.54	74.81
Textile Yarn	40.92	21.95	28.08	18.50	22.42	19.91	31.25	28.21	25.81
Cotton Fabrics	57.69	62.24	32.18	49.03	34.71	36.53	54.66	49.75	39.18
Non-cotton fabrics	15.52	7.32	11.50	5.62	13.91	3.74	7.49	6.92	0.73
Articles of Textile Material	36.25	50.52	36.04	27.82	24.42	23.37	30.54	35.62	35.29
Clothing not of fur	70.63	81.67	64.90	66.20	40.08	60.49	68.92	70.37	64.03
Floor covering	87.78	90.27	91.08	80.98	69.69	94.26	93.63	92.13	90.99
Cutlery	15.86	28.31	45.86	38.42	50.48	66.14	81.68	87.21	96.10
Scientific instruments	74.77	77.37	81.16	74.17	78.82	77.37	65.47	80.67	78.07
Games, and Sporting goods	77.88	76.06	80.11	73.40	70.38	67.88	56.28	87.85	62.73

Source : "Export Receipts", State Bank of Pakistan, Karachi. (Various Issues)

In order to assess the impact of rate of increase in exports, we compare the growth rates of exports of various products across the region as well as against the exports of Pakistan. Composition of growth rates is included in Table 6. Pakistan's exports, measured in current dollars, have increased at an annual rate of 17.6 per cent over 1972-73 to 1980-81 period. Against this, the exports of leather, footwear, yarn, cotton fabrics, other fabrics and toys to DMEs grew at a rate of 3.39, 4.32, -3.35, 7.15, 7.89 —and 7.93 per cent respectively. We may note that these products accounted for almost half of total exports to DMEs. Moreover, because of high dependence on DMEs in case of all these products, the growth of exports all these products fell significantly short of the overall growth of Pakistan, despite phenomenally high rates of growth for the developing countries.

TABLE 5
Share in Pakistan's Exports

	1972-73	1973-74	1978-79	1979-80
Leather	6.60	3.74	7.36	5.70
Manufacture of Leather	0.34	0.37	0.40	0.47
Footwear	1.25	0.95	0.56	0.49
Cotton Yarn	21.91	19.88	11.91	9.09
Cotton Fabrics	13.27	16.08	12.39	8.72
Non-cotton Fabrics	0.77	0.88	0.31	0.33
Articles of Textile Material	2.36	3.77	5.46	4.20
Clothing not of Fur	1.42	2.82	3.55	3.80
Floor covering	4.19	4.95	10.35	9.38
Cutlery	0.06	0.05	0.08	0.10
Scientific instruments	0.90	0.94	1.41	1.21
Toys	1.79	1.96	1.52	1.32

Source : "Export Receipts", State Bank of Pakistan, Karachi (various issues) and Table 3.5 (B).

Since the decade of Seventies was marred by high rates of inflation, it will be important to analyse growth rates at constant prices. Unfortunately, data on quantity or value of exports at

TABLE 6
Growth of Pakistan's Exports

	1972-73 to 1980-81				1974-75—1980-81			
	Developed Market Economies	Centrally Planned Economies	Developing Economies	Total	Developed Market Economies	Centrally Planned Economies	Developing Economies	Total
Leather	3.39	36.66	13.36	7.52	15.26	36.69	13.86	17.23
Manufactures of Leather	15.54	33.55	32.98	18.33	24.03	37.77	39.20	26.89
Footwear	4.32	-22.57	14.76	1.57	-2.70	-21.44	6.71	2.68
Textiles Yarn	-3.35	29.90	2.86	2.42	12.59	21.15	13.35	14.18
Cotton Febrics	7.15	5.04	25.07	12.52	17.78	5.08	14.26	13.98
Non-Cotton Fabrics	-7.89	-10.09	37.78	34.75	-7.89	2.93	48.87	45.92
Articles of Textile Material	33.47	16.49	42.25	33.99	21.68	16.21	23.69	22.11
Clothing not of Fur	32.68	16.37	51.73	34.31	21.88	5.74	29.29	22.15
Floor Coverings	28.13	13.77	26.93	27.56	23.88	18.87	25.91	23.90
Cutlery	57.52	0	-5.11	39.48	65.78	0	-5.52	46.51
Scientific instruments	20.26	15.19	18.40	19.63	12.55	16.81	16.02	13.21
Toys, Games	7.93	3.13	18.75	10.88	1.50	-3.08	17.98	5.72
Pakistan's				17.57				19.15

Source: "Export Receipts" State Bank of Pakistan, Karachi, (Various Issues)

constant prices are not available. The growth rates of a few products for which data were available are reported in Table 7. Table 7 shows that the growth rates at constant prices were desperately low and even negative in a few cases. This coupled with the fact that terms of trade moved against Pakistan,* the import capacity of exports has fallen significantly as far as developed market economies are concerned.

TABLE 7
GROWTH RATE OF EXPORTS TO DEVELOPED
COUNTRIES AT CONSTANT PRICES. 1969-70=100

Commodities	1972-73	1974-75
	to 1980-81	to 1980-81
Leather	-13.63	-4.78
Textile Yarn & Thread	-11.44	1.96
Cotton Fabrics Woven	-2.23	10.77
Clothing not of Fur	21.14	14.62
	1976-77 to 1980-81	
Floor Coverings, Tapestries etc.	0.35	

Source : Economic Survey, Government of Pakistan, Islamabad.
(Various Issues).

* That the export sector has generally become much less effective as a stimulus to growth in the domestic economy of Pakistan, is borne out by the comparison of the contribution made by the growth in the purchasing power of exports to the total growth in GDP. As is evident from the following table the contribution during the period 1973-80 is negative as compared to the period 1963-73.

Contribution of the Pakistan's Export Sector to
GDP Growth (Percentage) Annual Average

Terms of Trade		Purchasing Power of Exports		PPE/GDP ^a	
1963-73	1973-80	1963-73	1973-80	1963-73	1973-80
-0.7	-4.6	4.9	-1.8	10.3	-3.9

Source : UNCTAD. Handbook of International Trade Statistics
(various issues).

(a) Change in purchasing power of exports as a proportion of change in gross domestic product, but measured in U.S. dollars at 19/5 prices exchange rates.

It is interesting to analyse the growth of exports in the context of various restrictions imposed by DMEs. Unfortunately such data are available only for textiles and garments and as such our analysis will not be complete. Nevertheless, it will show the extent to which protectionist policies can have adverse influence on exports of Pakistan. In Tables 8, 9 and 10, we show rate of change in ceilings imposed on cotton yarn, cotton fabrics and garments.

The ceilings on the exports of yarn have declined from 7860 metric tons in 1972 to 7000 metric tons in 1978. Exports of yarn have increased since 1978, but even in 1981, exports of yarn were significantly lower than the level reached in 1978. We may note that although declining trend in the growth of export has been reserved yet the growth rates are only half per cent per annum. The long term agreement which was concluded in 1981, also project growth rate of only 0.56 per cent per annum.

The rate of change in ceilings on imports of cotton fabrics from Pakistan upto 1977 was quite respectable, as may be seen from table 3.9. However, we should note that the change in ceilings was not a reflection of liberal import policies by the DMEs. Rather, they were a reflection of the fact that share of Pakistan in global quota, which was very low upto the mid-Seventies was increased. Since 1977, the ceilings are so stringent that a growth rate of even one per cent could not be realised. Moreover, the prospects are even more bleak because the growth over 1982 to 1986 period would fall further to 0.66 per cent per annum.

TABLE 8
Ceilings on Cotton Yarn

	1972 to 1978	1978 to 1981	1982 to 1996
West Germany	1.64	0.32	N.A.
France	-3.60	1.02	N.A.
Italy	-4.14	0.19	N.A.
Benelux	-3.15	0.56	N.A.
Ireland	-27.19	1.80	N.A.
Denmark	—	0.91	N.A.
U.K.	7.99	0.43	N.A.
Total	-1.91	0.50	0.56

Source : Pakistan Export Promotion Bureau, Ministry of Commerce, Government of Pakistan, Islamabad.

TABLE 9

EEC : Ceilings on Exports of Cotton Fabrics from
Pakistan : Rate of increase in Exports allowed.

Countries	1972-73	1975	1977	1982
	to 1975	to 1977	to 1981	to 1986
Federal Republic of Germany	52.44	21.53	25.90	N.A.
France	45.24	21.53	21.56	N.A.
Italy	17.14	17.79	23.87	N.A.
Benelux Countries	-10.15	17.81	38.52	N.A.
Denmark	—	—	67.46*	N.A.
U.K.	1.02	0.50	1.67	N.A.
Total	9.82	7.00	0.81	0.66

Source : Pakistan Export Promotion Bureau, Ministry of Commerce,
various Notifications.

* Base Year 1978.

Table 10 shows that exports of garments (clothing not of fur) have been allowed to increase more liberally. On average, the exports of garments grew at an annual rate of five per cent. However, it should be noted that the quantity allowed is very small.

TABLE 10

Ceilings on the Exports of Garments (Clothing not of fur)
from Pakistan : Maximum Growth Rate of Exports from
Pakistan by the EEC countries (1978-82)

	Growth Rate over 1978 to 1982
Knitted shirts	3.95
Knitted Jersies	6.00
Knitted Pyjamas	5.04
Knitted and Crocheted Gloves	14.95
Blouses	1.71
Shirts	3.66
Babies Garments	5.50
Dresses	5.99
Skirts	6.15
Night dresses	5.96
Toilet Linen	5.33
Bed Linen	5.88

Source : Pakistan Export Promotion Bureau, Ministry of Commerce,
Government of Pakistan, Islamabad.

The analysis of ceilings and changes in them brings into sharp focus the fact that unless composition of exports to DMEs change significantly, Pakistan's exports would fail to rise rapidly. Therefore, while Pakistan should make all the efforts to get concessions from DMEs through UNCTAD, she must seriously consider diversifying her exports. It is obvious that in cotton group, the reliance on yarn and cotton fabrics, will not lead to higher rates of growth in exports. Garments industry, though subject to restrictions, does present the possibility of reasonable growth in exports. However, garment industry has its marketing aspects which should be faced up by Pakistani industry.

PAKISTAN'S DEVELOPMENT EXPERIENCE

1955/6—1982/3

SAJJAD HAIDER SAYED*

INTRODUCTION

State of economy of Pakistan after independence

It is now for about 35 years that Pakistan has been going through the process of economic development to increase the economy's real national income. When Pakistan gained independence on 14th August, 1947, she inherited an economy which was widely regarded an "economic waste land". In the era of unbridled imperialism, the economy was conditioned to suit the ends of British rulers. The land was rich but people were poor, diseases were their heritage and wailing of children was the voice of majority of our homes. The country was preponderantly agrarian and was amongst the poorest in the world. "At independence, Pakistan simultaneously, created and disrupted by the partition of British India—was widely considered an economic monstrosity. The country was among the poorest in the world and had no industries to speak of almost no industrial raw materials, no significant industrial or commercial groups".¹ Aggravating the problems were the disruptions caused by influx of millions of refugees.

In 1949-50, Gross Domestic product (GDP) of Pakistan was of the order Rs. 10398 million and Gross National Product (GNP) was Rs. 12380 as there was a negative net factor income of Rs. 18 million to the world. The population was estimated at 35.31 million souls leading to per capita income of Rs. 351. The agriculture sector was contributing 53.2 percent towards GDP against the manufacturing and mining sector's contribution of 8 percent. The construction sector's contribution was of the order of 1.4 percent and services sector con-

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1. G. K. Papanek, *Economic Development of Pakistan*, Oxford University, Press. 1968 p. 1.

tributed 37.4 percent, which was a manifestation of the structural imbalance in the economy. The rate of economic growth of 3 percent in early stages of first few years was little better than the population growth rate of 1.78 percent. The rates of savings and investments were abysmally low at 5 to 10 percent of G.N.P. In 1949-50, our import amounted to Rs. 912.2 million while exports were worth Rs. 535.1 million only showing a deficit in balance of trade to the tune of Rs. 377.1 million against a favourable trade balance of Rs. 125.1 million during the period of 15th August, 1947 to 30th June, 1948.

ECONOMIC DEVELOPMENT DURING FIVE PLANS

Growth of GDP, GNP, per capita Income upto fifth Five Year Plan 1978-83.

The economy of Pakistan recorded an average growth of 4.5 percent per annum in terms of GDP and 4.8 percent per annum in terms of GNP during the period 1951-1977 and achieved a growth rates of 6.2 percent in GDP and 6.8 percent in GNP on per annum basis during Fifth Five Year Plan period 1978-83. The rate of growth of 3.1 percent per annum in the fifties was quite low but it gained momentum and increased to 6.8 percent per annum in sixties. This upsurge in the growth rate was significantly curtailed to 3.3 percent per annum during the seventies. However, the average rate of growth of GNP, of 4.3 percent per annum was much higher than the GDP growth rate, in seventies, mainly due to steep rise in the home remittances from workers employed abroad. Remittances by Pakistanis, working abroad amounted to US dollars 1153 million in 1977-78 against dollars 96 million in 1971-72 but has further gone upto 3000 million dollars in 1982-83. The net factor income payments was a negative factor in Pakistan's national accounts and it would have acquired high proportions during the seventies due to rising interest payments on foreign debt, had it not been for a much larger increase in worker's remittance. In 1982-83, there was a positive net factor income from abroad to the tune of Rs. 35,412 million against negative factor income of Rs. 18 million in 1949-50.

The per capita income increased from Rs. 351 to Rs. 725 at constant factor cost of 1959-60 registering an increase of 106 per-

cent over the period 1949-to 1982-83 while at current prices it has been estimated at Rs. 4176 during 1982-83. On an average basis per capita income registered a growth rates of less than 1 percent per annum in the fifties. Taking 1959-60 as the base for the period, when the development plans had started yielding significant growth in the economy, the per capita growth was 2.8 percent in 1960-81. The per capita income has been crucially affected by demographic trends in Pakistan which indicate a continuing acceleration in the rate of population growth from the earliest estimates of 1.7 percent to the latest by about 3 percent.

2.3. Periodical average growth rate per annum in GDP, GNP, per capita income and population, are tabulated in the following table :

TABLE 1
Growth Rates

Period	Growth rates per annum per cent			
	GDP	GNP	Per capita Income	Population
1. First Five Year Plan 1955-60	3.1	3	0.5	1.78
2. Second Five Year Plan 1960-65	6.8	6.8	3.8	2.43
3. Third Five Year Plan 1965-70	6.7	6-8	3.8	3.65
4. Annual Plan Period (1970-78)	4.2	4.9	2.0	3.00
5. Fifth Five Year Plan 1978-83	6.2	6.8	3.6	3.00

(Source : Plan documents)

Since the second five year plan, the economy has witnessed a continuing growth rates of over 6 per cent but the momentum was staggered and growth rates declined during Non-plans period 1970-78 only to be accelerated again in Fifth Five Year Plan 1978-83. The

difference in growth rates of GDP and GNP reflect the net factor from abroad. But positive gains of growth in GDP and GNP have partly been offset by the rate of population growth as rate of growth in per capita income have not been significant.

GROWTH OF AGRICULTURE, INDUSTRY AND SERVICES SECTORS UPTO 1978-1983

(a) Growth of Agriculture sector

3.1. The development effort in the country has witnessed a gradual shift in the composition of GDP from agriculture sector to the services sector as well as to the growing share of industries within the commodity producing sectors. The agriculture sector recorded a growth rate of 1.7 percent in 1950-60 but made a quantum jump to register a growth rate of 4.9 percent per annum during 1960-70 which was accentuated by the higher growth rates in mid-sixties stemming from the famous green revolution. The higher growth rates could not be sustained in 1970-81 as agriculture sector recorded a growth rate of only 2.6 percent per annum during that period although situation improved considerably in later part of the seventies, growth rates of agriculture through various five year plan periods are depicted in table 2:

TABLE 2

Growth Rates of Agricultural sector

Plan period	Annual Growth rate percent		
	Agriculture sector	Major crops	Minor crops
1. First Five Year Plan 1955-60	2.1	2.3	0.8
2. Second Five Year Plan 1960-65	3.8	4.7	4.8
3. Third Five Year Plan 1965-70	6.3	9.1	3.8
4. Non Plan (1970-78)	1.7	0.9	4.7
5. Fifth Five Year Plan 1978-83	4.4	4.8	3.1

Source : Sixth Five Year Plan (1983-88) p. 439.

It may be noticed that agriculture sector has been witnessing vicissitudes in growth rates over various plan periods. Abysmally low growth took place during non-plan period 1970-78 with less than one per cent growth in the major crops but situation has improved substantially during Fifth Five Year Plan. The sixth five year plan (1983-88) promises to carry further the growth in agriculture sector with an annual growth target of 6.4 percent.

During the period under review yields per hectare have increased substantially. Wheat yield per hectare went up by 80 percent from 922 kg to 1660 kgs and cotton yields have doubled from 516 to 1042 kgs per hectare. There has been a pronounced change in the methods of cultivation and the input package. The extensive use of chemical fertilizers and growing mechanization make agriculture today a very different occupation from the rural scene at the time of independence. This could be indicated by the accelerated use of modern key inputs over various plan periods and production of major crops as depicted in table 3.

TABLE 3

Use of key inputs and output of major crops

Item	Unit	First Plan 55-60	Second Plan 60-65	Third Plan 65-70	Non Plan 70-78	Fifth Plan 78-83
<i>inputs</i>						
1. Fertilizer off-take	000 N/Tons	19	87	312	720	1191
2. Improved seeds	000 tons	27	31	28	69	115
3. Plant Protec- tion coverage	000 Hct.	546	1307	656	1679	1618
4. Mechanization (operational tractors)	No	124	114	163	55000	137,000
5. Water Avail- ability at farm gate	MAF	50.25	63.87	75.5	27.39	101.49
6. Agri. credit	Mil. Rs.	NA	173	210	1925	6589

Output

1. Wheat	000 tonnes	3908	4590	7293	8367	12200
2. Rice	-do-	995	1350	2401	2950	3369
3. Cotton	„	291	378	536	575	821
4. Sugarcane	„	10661	18665	26365	30077	34000
5. Oilseeds	„	835	992	1397	8471	2081
6. Pulses	„	837	875	679	813	712

Source: Sixth Five Year Plan, 1983-88 p. 450-455.

The above table indicates that there has been tremendous increase in the use of key inputs which has given boost to the production of various crops over time.

(b) Growth in Industry

The growth in industry was quite remarkable during the fifties and sixties. While in the fifties, the significance of a high growth rates in manufacturing was limited by a small base, the combined industrial expansion during the sixties was important factor in changing the composition of GDP. During the entire period from 1950 to 1970 the expansion of industry was largely in the light consumers goods and easy processing category. During seventies efforts were diverted to create a substantial base for more sophisticated basic and heavy engineering goods industry. The later include chemicals, chemical fertilizers, ship building, assembly cum manufacturing of car, tractors, trucks and rolling stock for the railways, telephone and tele communication equipment and host of other engineering equipment and components. The first steel mill of the country has moved into partial production and would be completed by June 1984. Over the years there has been a radical increase in the share of manufacturing and even more pronounced increase was witnessed in organized industrial sector comprising large-scale manufacturing mineral, construction, electricity and gas, the share of which in GDP have risen from 4 percent to 22 percent. Large scale manufacturing have alone

increased from a negligible 1 percent at the end of forties to acquire a respectable share of 13 percent in the early eighties. Manufacturing sector is dominated by the food processing sector which together account for 55 percent of value added, the contribution of engineering sector is estimated to be only 15 percent of the income derived from manufacturing.

4.1. Industry sector as a whole registered a substantial growth rate of 10.0 percent during 1960-70 but its growth declined to 5.5 percent during the period 1970-81 due to slow down in the growth of manufacturing sector from 9.4 percent during 1960-70 to 4.4 percent in 1970-81. The growth in manufacturing sector as well as in the largescale manufacturing field is depicted in table 4.

TABLE 4

Growth Rates of Manufacturing Sector

Plan period	Rate of growth per annum (percent)	
	Manufacturing Sector	Large Scale Manufacturing
1. First Plan 1955-60	5.2	7.6
2. Second Plan 1960-65	11.7	16.8
3. Third Plan 1965-70	8.1	9.9
4. Non Plan 1970-78	3.5	2.2
5. Fifth Plan 1978-83	9.00	9.7

Source : Sixth five year plan 1978-83 p. 439.

The high rates of growth in large manufacturing suffered a jolt during 1970-78 and slumped to 2.2 percent only but again gained momentum to register a phenomenal growth of 9.7 percent per annum during fifth five year plan. The trend is likely to continue during sixth five year plan 1983-88 with plan target of 9.3 percent growth in manufacturing and 10 percent in large scale manufacturing.

(a) Growth of services sector

The growth in the services sector has been high in Pakistan and accounts for a substantial proportion of overall growth. This factor is related partly to the policy package directed towards early replacement of some of the essential services dominated by foreign ownership. The banking services were largely provided by the banks whose head offices fell in India at the time of partition of the sub-continent in 1947. These banks decided to close their offices in Pakistan probably finding it difficult to manage a large number of branches in a foreign country with which relations were strained. The policy of government of Pakistan encouraged the growth of domestically based banks to fill the vacuum which proliferated rapidly. The number of Banks in Pakistan jumped from 1953 in 1948 to 7375 in 1982. The growth of insurance, shipping and air travel was also quite rapid. The growth of construction activity was accentuated to large immigration after 1947, rapid urbanization and implementation of Indus Basin Replacement work.

In 1949-50, utilities and services sector constituted 37.4 percent of Pakistan's GDP which went up to 39.3 percent in 1959-60 and to 40.2 percent in 1969-70. The services sector continued its growth to raise its structural share in GDP and by 1981-82 claims 47 percent of GDP. The services sector had recorded a growth rate of 3.7 percent during 1950-60 which was accelerated to 7 percent during the period 1960-70 but was curtailed to 6.1 percent during 1970-81. The growth of services sector recorded during various plan period is given in table 5.

TABLE 5**Growth Rates of Services Sector**

Plan Period	Growth Rate per Annum (percent)
1. First Plan 1955-60	3.6
2. Second Plan 1960-65	8.3
3. Third Plan 1965-70	6.6
4. Non Plan 1970-78	6.2
5. Fifth Plan 1978-83	6.4

Source : Sixth Five Year Plan 1983-88 p. 439.

High growth rate of over 6 percent have been witnessed by services sector since 1960 which does not augur well for the structural balance of the economy vis-a-vis commodity producing sector. The sixth five year plan document envisages a growth rate of 6.4 percent.

Impact of growth and structural changes on the standard of livings of the people-social affects

The economy of Pakistan witnessed periods of high growth with the advent of sixties, with an average growth rate of 5.7 percent in GDP and 6.1 percent in GNP, in order to remove stagnation of fifties in the economy and optimize the level of livings of the people. Agriculture maintained a growth rate of 4 percent while large scale manufacturing grew at 7.6 percent per annum. The objective has been to commensurate growth achievement with socio-economic distributional policies. The growth in economy has substantially changed the structural composition of GDP as may be seen in table 6.

TABLE 6

Composition of GDP of Pakistan

Sector	Percentage share in GDP				
	1949-50	1959-60	1969-70	1976-77	1982-83
1. Agriculture	53.2	45.8	38.9	34.8	29.1
2. Manufacturing and Quarrying	8.0	12.4	16.5	15.0	18.7
3. Construction	1.4	2.5	4.2	5.2	4.9
4. Utilities and services	37.4	39.3	40.4	45.0	47.3

Source : 1. Zafar Altaf, *Pakistani Entrepreneurs*, Croom Helm, London, 1983, p. 6.

2. *Economic Survey of Pakistan, 1982-83* p. 26.

The share of agricultural sector has plunged from 53.2 percent in 1949-50 to 29.1 percent in 1982-83 while that of manufacturing and services sector rose from 8.0 percent and 37.4 percent to 18.7

percent and 47.3 percent respectively. The increase in share of services sector does not reflect favourably on the development potential of the economy. Nevertheless availability of goods and services increased over the period. Increase in per capita income was of the order of 106 percent from Rs. 351 in 1949-50 to 735 in 1982-83 at constant factor cost. With an increase in flow of home remittances, the per capita income at current factor cost rose to 4176 in 1982-83. With an average of 6.7 person per family, estimated on the basis of Housing and population census of 1980, this amounts to an average of family income of Rs. 2332 per month. By comparison, 46.2 percent of the world's population in 1980 lived in countries with per capita income lower than Pakistan.

In the field of social development, where the progress leaves much to be desired, the sixth five year plan document claims that the per capita calorie intake has gone upto 2464 in 1983 which is 99 percent of the recommended minimum level. The crude death rate have dropped to one third of the level prevalent at independence while life expectancy at birth has increased from 37 years to 55 years since 1950. The enrolment of boys in primary schools has increased by 373 percent and of girls by an even a higher figure of 980 percent since 1980. In terms of health facilities, as many as 374 rural health centres and 6489 basic health units and other primary health facilities have been set up to increase the out reach of health care into the rural population. Major leeway has been made in village electrification programme and more than one third of villages in Pakistan have been electrified.

Despite concerted development effort over the years, there is much to be desired. The population is growing at alarmingly high rate of 3 percent offsetting the positive effects of development. Aggravating the problem is the low level of literacy as the proportion of population which is barely able to read and write is not more than one quarter. The infant mortality remains as high as 90 per thousand of live birth. Pure drinking water is not available to 88 percent of rural population without which meaningful health programmes, coupled with inadequate drainage facilities in rural areas, suffer badly. About two-third of the villages are still without electricity and half of the villages population has almost no roads to find access to the markets,

A comparative picture of Pakistan's state of economic development with reference to certain developing as well as developed countries.

The sustained development effort extending over a period of more than one third of the century only indicates a modest development by comparison with the general performance of the developing countries. At per capita income of US dollars 350 in 1981, Pakistan is in the group of poorest countries of the world today which also includes India with per capita income of 260 dollars and 32 other countries per capita income of which range from dollars 80 to dollars 400. In term of overage annual increase of per capita GNP during 1960-81, Pakistan witnessed a growth rate of 2.8 percent as compared to growth rate of 9.2 percent in case of other low income countries and 4.0 percent in respect of India. The rate of growth in per capita income of Pakistan also does not compare favourably with those of 39 middle income economies having per capita income ranging from dollars 420 to 1670, who had recorded an average annual per capita growth of GNP at 3.7 per cent during the same period. The rate of growth of per capita income of 19 upper middle income countries with per capita income of 1700 to 5670 dollars, was 4.2 percent and that of 19 advanced industrial economies, having per capita income of 5230 dollars to 17430 dollars, was comparative sluggish at 3.4 percent than that of upper middle income countries but was far better than the low income economies including Pakistan.

The annual average growth rate in GDP of Pakistan during 1970-81 was of the order of 4.8 percent as compared to 4.5 percent of low income countries, 5.6 percent in respect of middle income countries, again 5.6 percent in respect of upper middle income countries and 3.0 percent for industrial economies. The growth rate in Pakistan was higher than the average of low income developing countries but substantially below the growth rates experienced in the rapidly developing countries of East Asia and latin America. By 1981, Agriculture sector's contribution was 30 percent to Pakistan's GDP as compared to 37 percent for India and 45 percent in case of other low income countries, 14 percent for middle income economies, 10 percent for upper middle income economies, 10 percent for upper middle income economies and only 3 percent in case of industrial economies.

which is manifestation of the dominance of agriculture in our economy although it depicts a much better picture as compared to other low income countries.

The low savings rate of 7 percent of GDP and investment ratio of 17 percent of GNP indicates dependence on external resources to the extent of 10 percent in 1981, which is poor as compared to saving ratio of 20 percent and investment ratio of 23 percent in case of India and 22 percent and 25 percent in case of middle income countries. In 1981, the rate of literacy in Pakistan was 24 percent which does not compare favourably with 36 percent in India, 85 percent in Sri Lanka, 40 percent in other low income countries, 76 percent in upper middle income economies and 99 percent in industrial economies. The life expectancy of above 55 years at birth estimated for Pakistan is much lower than middle income economies and industrial economies which have life expectancy of 60 years, 65 years and 75 years respectively. The rate of 3 percent in population growth is alarmingly higher than the population growth rate of 2.6 percent in low income countries, 2.1 percent in India 2.4 percent in middle income countries, 2.2 percent in upper middle income economies and 0.7 percent in industrial economies, which warrant effective policy measures to curb the population growth rate in Pakistan.

Conclusions

The development effort of Pakistan delineated in the previous chapters presents distinct periods of rapid growth and stagnation. In fifties the growth was low barely little better than the growth in population. The growth was accentuated mainly from industrialization based on private investment as agriculture sector was growing poorly. In sixties, the economy recorded high rate of growth as both agriculture and industry sectors registered satisfactory growth rates. The high growth however, was not supplemented by the better distributional policies and at the fagend of 1960s, vocal dissention against the slopsided economic development was pronounced. As a reaction early seventies witnessed the moves towards socialization of the economy as thoughtless nationalization of many industries were made

more quickly than the capability of administrators to manage them. The growth momentum was staggered during this period as it was thought that poor masses have not gained much from development and as such distribution was fore-most in the policy for development. The role of public sector as engine of economic growth become more pronounced as private investment dwindled away from industry sector. The process was hated in mid 1977 when the new military government tried to restore confidence of private sector. Growth with better distribution, however, became the basic plank of the development strategy. As a result economic growth gained momentum as sustained growth is a necessary condition for making a significant improvement in economic conditions of the people.

Over the years, per capita income has doubled itself in terms of constant factor cost and has exceeded Rs. 4000 in current prices. The fact that average Pakistani family enjoyed an income of Rs. 2332 per month, put her above 46 percent of the world population who have lower per capita income than Pakistan. The studies relating to income distribution discussed in preceding chapters suggest that inequalities in income have been declining but these studies related to sixties and needed to be updated to late seventies. These studies also show a high percentage of population living below the poverty line and poverty phenomena has also been confirmed by an ILO Survey warranting radical programmes to eliminate it.

The structural composition of GDP has undergone significant changes as share of agriculture has gone down considerably and there has been doubling of the percentage share of manufacturing since 1949-50. The ugly feature of the economy has been the soaring percentage share of services sector reflecting inherent weakness in the economy. On top of this, the rate of population growth has been quite high as compared to other countries which has been eroding the gains of economic development to the population. Despite recent impressive growth in agriculture particularly food grain and import substitution through rapid industrialization principally of replacement of imported consumption goods, there has so far not been appreciable progress in the direction of correction of disequilibrium in balance of trade. The balance of payments remains adverse

mainly on account of mounting energy import bill and is only alleviated to some extent by the growing home remittances from abroad.

Pakistan's problems have been intensified by the growing openness of her economy by way of increasing contact with high consumption economies in the Middle East. The rate of domestic savings has remained quite low both in private as well as public sector as such Pakistan has to rely heavily on external financing for its economic development effort.

The development experience of Pakistan despite high periods of growth, has been modest as she is still bracketed in the low income countries. The structural composition of GDP has gradually been overwhelmingly dominated by the services sectors as such several steps and policy measure are warranted to make the process of economic development more meaningful for the people. Some of the measures are discussed in the following paragraphs.

1. Improving Economic Efficiency

Low productivity has been the major constraint in the uplift of the welfare of the people. Yields per hectare in agriculture sector and industrial efficiency in manufacturing has to be improved substantially to provide strong base for production in the commodity producing sectors. Yields per hectare in agricultural field have already increased since 1960s yet these could further be increased by way of provision of package of inputs and transfer of technology to small farmers and provision of other infra-structural facilities such as farm to market roads, storages and good 'mandis' for marketing of agricultural produce. The chances of improving industrial efficiency in the modern sector are dependent on the competition that their products will have in the market, There has been a progress in this direction as modern sector has been challenged by products manufactured by the indigenous one which has forced modern sector to improve its cost effective ness.

2. Equitable Growth

Economic growth with strong production base is not the guarantee for improved standard of living of the people. Production should be distributed equitably. Since 1960s the expected trickledown

had failed to materialize warranting change in policy and adoption of basic needs strategy of development as improved health cover, better education facilities, proper nutrition and adequate potable drinking water etc. was thought as the way of raising the productivity of the people. However, we must guard against the temptation to assume that growth is going to trickle over from the distribution. We need a more balanced package in which growth and distribution can sustain each other.

3. Effective population programme

The unbridled increase in population render the development effort difficult. Any decline in the rate of population growth would substantially increase the gains of economic growth. The target should be to curtail population growth at 2 percent per annum. Previous population control programmes have not been successful. People have to be motivated through persuasion to adopt family planning measures. In this regard increase in the rate of literacy could help propagate the usefulness of the programme. This implies that any population control programme should accompany a drive for adult education programme.

4. Mobilization of domestic resources for development

Pakistan has to finance its development programme by way of heavy reliance on external financing as there is no great virtue in self financed stagnation. However, to make foreign aid effective, more strenuous efforts are needed to mobilize domestic savings. A rapidly rising rate of domestic savings would eventually bring dependence on foreign aid to a natural end. This implies sacrificing consumption gains and reduction in nondevelopment expenditure of the government for a considerable time to come. This call for careful husbanding of the remittances from abroad for development purpose.

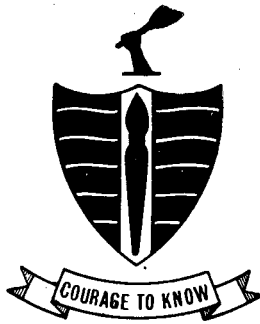
5. Emphasis on the development of domestic sources of energy

The mounting import of energy bill has put constant pressure on our precarious balance of payments position. Concerted efforts are required to augment domestic sources of energy by way of exploration of new oil and gas fields, raising of energy plantation, harnessing of solar energy and making in-roads towards nuclear energy programme.

All this must be combined with investment of resources in energy conservation and more efficient use of energy.

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