

17441

ANNUAL PLAN

1973-74



Planning Commission
Government of Pakistan

DECEMBER, 1973



ANNUAL PLAN FOR 1973-74

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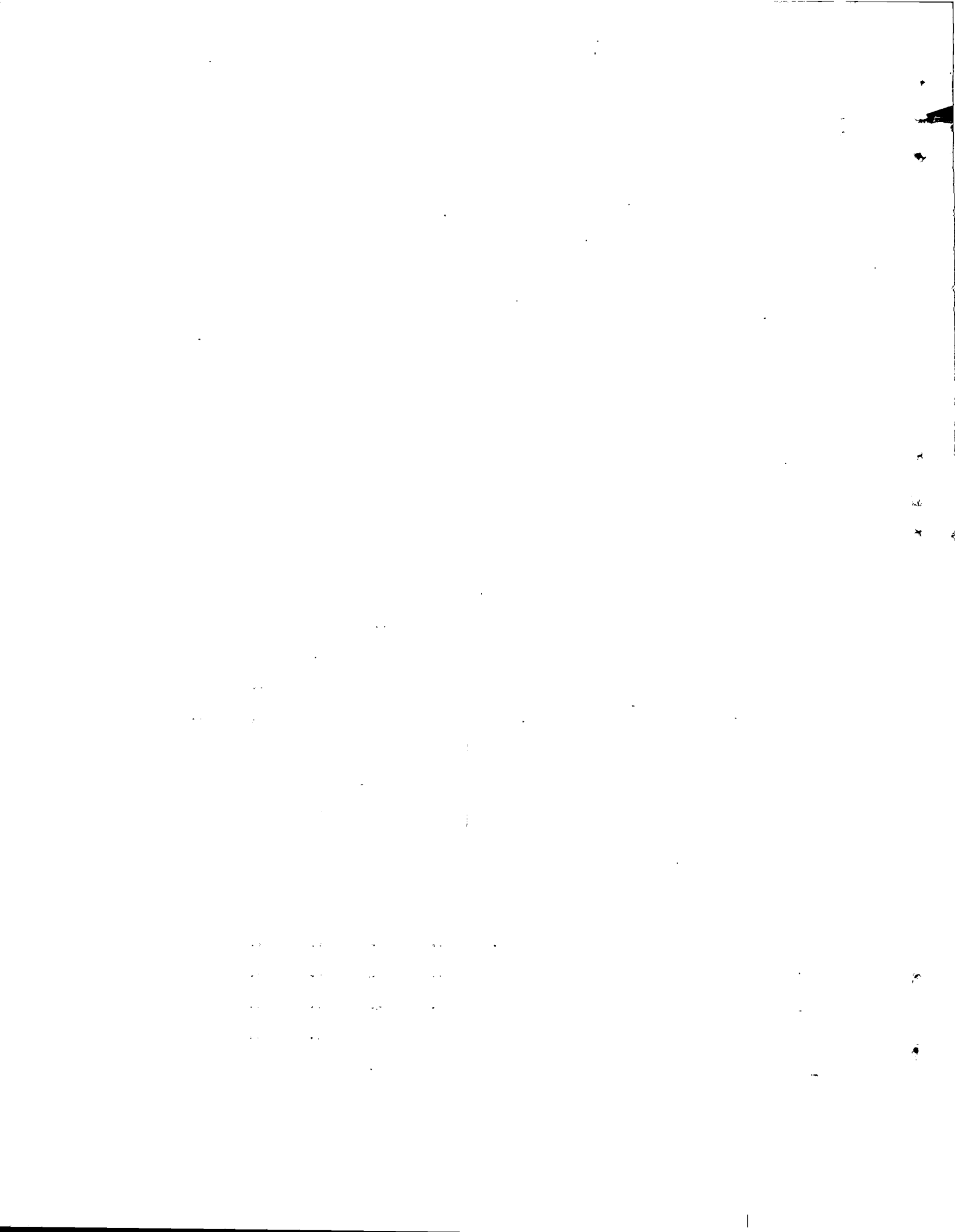
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PART I
ECONOMIC FRAMEWORK

1917

1917

CHAPTER 1

REVIEW OF PROGRESS DURING 1972-73

The economy of Pakistan received a severe set-back after 1969-70 due to political events in 1971 culminating in war with India and the separation of East Pakistan. *Per capita* income declined both in 1970-71 and 1971-72, as a result of virtual stagnation in GNP. The GNP of 1970-71 actually declined while it was slightly up by 1.4 per cent in 1971-72.

2. The Annual Plan for 1972-73 aimed at rehabilitating the economy and restoring it to a respectable growth rate at 6.6 per cent. The overall growth in GNP was close to the Plan target but its composition was not in conformity with its projections. The actual performance was in fact a mixed one ; while certain sectoral targets were attained, there were also areas of failure and disquiet. Sizeable contribution originated from services sector including Public Administration and Defence, where commodities production contributed relatively very little, as given in the following table :

Growth Rates (%)

	Target	Achievement.
1. Agriculture	5.1	3.1
(a) Major Crops	7.0	3.6
(b) Other Agriculture	3.0	2.4
2. Manufacturing	12.6	5.6
(a) Large-Scale	15.6	6.3
(b) Small-Scale.. .. .	2.6	2.7
3. Construction	10.0	13.5
4. Trade	5.2	8.7
5. The Rest	5.4	9.7
Total	6.6	6.5

3. As GNP stagnated and population was increasing *per capita* income declined in the year 1970-71 and 1971-72 but as a result of sizeable growth in GNP in 1972-73 *per capita* income regained nearly its 1969-70 level as shown below :

	G.N.P. At constant factor cost of 1959-60 (Rs. crore)	G.N.P. Growth Rate over preceding year.	Per Capita income (Rs.)
1969-70	3230.4	—	552
1970-71	3225.7	0.0	534
1971-72	3269.8	1.4	530
1972-73	3482.1	6.5	550

Agriculture

4. Agriculture is the largest sector of our economy contributing over one-third to the gross domestic product, accounting for about 40 per cent of the export earnings, employing more than half of the civilian labour force and providing industries with the raw materials. The Government attaches great importance to agriculture and has taken many policy measures to boost farm production. Some of the recent measures included enhancement of the procurement prices of wheat, rice and sugarcane and a large programme of installation of tubewells.

5. Value-added in the agriculture sector increased by about 3 per cent in 1972-73. Exceptionally good rains during the Rabi season helped wheat crop to record highest production so far which was even above the Plan target. However, inadequate supply of fertilizer at the farm, low water availability during early parts of Kharif season, and pest attack on cotton were mainly responsible for the poor performance of the Kharif crop. The actual production of major crops are compared with the Annual Plan targets in the following table :

Major Crop Production

	1972-73 Target	Actual
1. Wheat ('000' tons)	7,200	7,400
2. Rice ('000' tons)	2,400	2,288
3. Cotton ('000' bales)	4,150	3,947
4. Sugarcane ('000' tons)	22,000	19,632

Industry

6. The performance in the manufacturing sector during 1972-73 was a mixed one. Output was estimated to have increased by about 6.5 per cent over that of 1971-72, but since output in 1971-72 declined by 4.7 per cent as compared with 1970-71 production, the 1972-73 performance brought the manufacturing industries back to 1969-70 levels.

7. The main increase in production was realised in sugar, vegetable ghee, cotton yarn, cotton cloth, urea and super-phosphate fertilizer and cement. The production of the industrial units taken-over by the government in 1972, increased by about 6 per cent, in physical terms, during the year under review.

8. The industries taken-over till the end of 1972-73 represented some 8 per cent of total Pakistan industrial assets, 5 per cent of industrial sales and 6 per cent of employment in firms with more than 100 workers. Adding public sector investment in WPIDC and other Government controlled industries to these taken-over industries, it is estimated that the Government controlled about 8 per cent of industrial assets, 10 per cent of industrial sales and 11 per cent of employment in industrial units with more than 100 workers.

Private Investment

9. An unfortunate development during the year was a continued slack in private investment activity. Although the tempo did build up in residential construction and few other sectors, investment in the leading sector of private investment, that is large-scale manufacturing, was disappointing. There was some decline in entrepreneurial interest in new investment. In areas where investment demand did respond to the higher international and domestic prices, investment was hampered by the fact that funds with PICIC and IDBP were not replenished early enough in the year to fulfil the demand on their resources. Some of the decline was also attributable to procedural problems on which action has since been taken.

Public Sector Development Outlays

10. The public sector development outlay which remained at a very low-level for several years had to be increased in 1972-73 to stimulate the economy. At Rs. 415 crore the programme for 1972-73 represented an increase of about 55 per cent over the implementation in the preceding year. On a comparable basis, however, this was almost equal to the level achieved in West Pakistan in 1969-70.

11. The public sector allocations had to be increased during the course of the year in order to accommodate essential schemes which could not be provided in the original programme. Actual expenditure during the year, therefore, exceeded the original allocations and is now estimated at Rs. 448 crore. The increase in the size of the programme necessitated recourse to deficit financing.

12. The programme of Rs. 415 crore was originally expected to be financed by domestic resources of Rs. 114 crore and foreign assistance of Rs. 301 crore. As a result of the shortfall in revenue collections and increase in non-development expenditure, the revenue surplus and net capital receipts of the Federal and Provincial Governments estimated at about Rs. 98 crore in the original budget were reduced to about Rs. 24 crore. The external resource availability was about Rs. 311 crore in 1972-73. The financing of the programme with reduced resources required substantial recourse to deficit financing, the details of which are discussed in the other chapter on Monetary Situation.

Foreign Trade

13. The transactions in the external sector showed a considerable improvement during 1972-73. The balance of trade for 1972-73 resulted in a nominal deficit of \$ 13 million as compared with a deficit of over \$ 300 million in previous years. This achievement was mainly due to the performance of the export sector. The gold and foreign exchange reserves held and controlled by the State Bank of Pakistan, increased from \$285.3 at the end of 1971-72 to \$460 million at the end of June 1973. (This included about \$31 million on account of Special Drawing Rights from IMF).

14. Merchandise exports reached a level of \$ 789 million in 1972-73 reflecting a 41 per cent increase over \$ 560 million exports in 1971-72. The factors responsible for this were larger quantity of exports and higher international prices for some of our exportable goods. The growth of \$229 million can be roughly distributed into 30 per cent due to increase in prices and 70 per cent due to increase in volume of exports.

15. Merchandise imports for 1972-73 amounted to \$802 million. This was 28.7 per cent higher than the merchandise imports of \$623 million during 1971-72.

16. The imports of consumer goods and raw material for consumer goods constituted about 60 per cent of the total imports in 1972-73 as compared with 47 per cent in 1971-72 while the share of capital goods including raw materials was 40 per cent as against 53 per cent in 1971-72. The increase in consumer goods was mainly because of higher imports of wheat and sugar. The drop in the value of capital goods was caused by devaluation which increased the domestic currency cost of these goods and by the depressed investment climate and lower inflow of project assistance during the year.

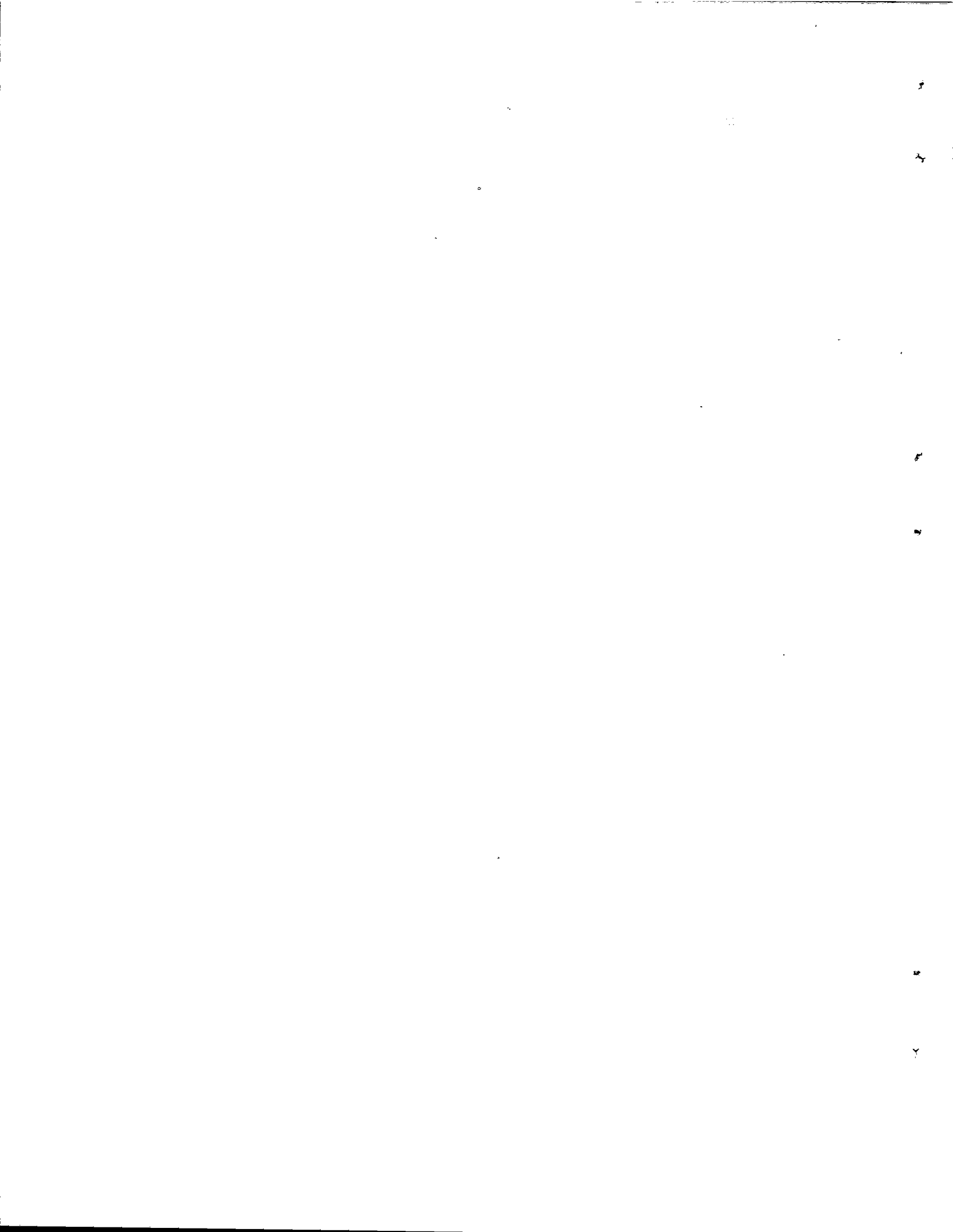
Monetary Situation

17. During 1972-73, monetary assets increased by Rs. 615.4 crore. The increase was mainly attributable to the sizeable expansionary influence of Rs. 236.6 crore of the Government sector and the exceptionally large expansionary influence of Rs. 235.4 crore of the foreign sector. The private sector also exerted an expansionary impact of Rs. 160.6 crore during the year 1972-73. The government had to resort to sizeable deficit financing in order to meet its commitments in the areas of defence, essential physical infrastructure requirements and social reforms. The shortfall in revenue resources aggravated the situation.

Price Situation

18. The price situation remained an area of great concern for the government during 1972-73. The inflationary pressures arose as a result of the devaluation of the Rupee in May 1972; international inflation; increased money incomes arising from the export boom; increase wages for low-paid employees; enhanced procurement prices for agricultural commodities; sizeable deficit financing and insufficient growth in domestic output. To combat the inflationary situation a powerful package of anti-inflationary measures was introduced.

19. Prices of many consumer goods rose sharply during 1972-73. Attempts were made to keep the prices of essential commodities stable in spite of the general inflationary situation. The price of wheat atta sold through ration shops was unchanged till the recent increases in the release price of wheat. Large imports of sugar were undertaken and later its complete rationing was introduced to maintain stable prices and ensure equitable distribution. In the case of cotton its availability declined during 1972-73 and this was matched by a sharp price increase due to the pressure from the international markets. In order to make cloth available at reasonable prices the government imposed export duties and introduced the scheme of fair price shops and utility cloth. Since these measures were introduced towards the close of 1972-73, it was expected that their impact would be felt in 1973-74.



CHAPTER 2

MACRO-ECONOMIC FRAME WORK

1. The fiscal year 1972-73 witnessed the re-emergence of the economy from the period of stagnation that had characterised it in the preceding two years. The decline in industrial production was arrested. The development programme in the public sector was stepped up. The effects of the loss of a large internal market, consequent on 1971 war, was overcome. The revival of the economy took place simultaneously with major structural changes in the economy following the reforms announced by the new Government in the fields of Industry, Land, Insurance, the Exchange System, Labour Laws etc. The full impact of these reforms, many of which were announced before the year started, was felt in the course of the year. The restoration of economic activity was assisted by the buoyant conditions of international trade. The unsatisfactory features of the performance were firstly the strong inflationary pressures resulting in sharp increase in prices and secondly the slow revival of private investment in large scale industry.

2. The flux and buoyancy in the international sector pressed the government into repeated measures to restrain exports of essential consumer goods. This unusual action was necessitated by a severe constriction in the availability and a sharp rise in the price of wage goods inside the country, particularly cloth and some foodstuffs. In spite of these measures exports increased by 39 per cent in dollar terms and Pakistan ran up foreign exchange reserve of \$155 million although the anticipated level of aid did not materialise.

3. The international sector developments had certain other repercussions. The incomes created by virtue of higher export earnings, the rise in domestic price of exportables in sympathy with the export price and the price escalation of imported commodities in the world market were factors which contributed powerfully to the sharp price hike in Pakistan.

4. Inflationary pressures also resulted from a large increase in government spending both on development and current expenditures and government policies designed to boosting agricultural output through provision of attractive prices for the major agricultural products. The increase in government spending was intended to restore the lost momentum in development expenditure and carry through essential measures of social and administrative reforms. The measures taken by the government had a greater effect on increasing money incomes than on increasing production because of the time lag between investment and output and between price incentives and a response to them. The beneficial effects of these policies on higher output will begin to be felt from 1973-74 and full effects will be spread over a number of years in the future.

5. Private investment in large scale industry revived very slowly. Although the tempo did build up in residential construction and a few other sectors, investment in the leading sector of private investment, that is large scale manufacturing, was disappointing. In areas where investment demand did respond to the higher international and domestic prices, investment was hampered by the fact that funds with PICIC and IDBP were not replenished early enough in the year to fulfil the demand on their resources.

Prospect for 1973-74

6. An acceleration in growth was projected for 1973-74 in view of the price incentives provided to agriculture, the large increase in planned fertilizer distribution and the higher industrial investment and production which was likely to follow the rising domestic and export demand as well as the increase in the supply of investible capital. However, the prospects were somewhat altered by the devastating floods soon after the Annual Plan 1973-74 started.

7. On the basis of production targets of agriculture and industry and corresponding growth in service incomes, the growth rate of GNP for 1973-74 was originally projected at 8 per cent. The composition of this growth was expected to be structurally balanced as it would rest upon the generation of consumer goods which would be demanded by the increase in incomes. Value added in agriculture and manufacturing was anticipated to contribute 56 per cent of the increase in GNP compared with only 31 per cent last year. Therefore the composition of the growth in GNP was expected to be more conducive to maintaining price stability (See table-I). However, these targets had to be revised to take into account the flood damage to the major agricultural crops like cotton and rice and its repercussions on the growth of various sectors. It is now expected that GNP will increase by 5.0 per cent in 1973-74.

8. Agriculture has been badly affected by the floods, specially the kharif crops of cotton, sugarcane and rice. Since these crops constitute more than 50 per cent of the total major crops, the likely shortfall has led to a sharp downward revision of the growth rate of major crops from 10 per cent to 3.4 per cent. A similar declaration has been assumed for the rest of agriculture sector.

9. In the Manufacturing Sector some damage has been caused by the floods resulting in some loss of the sector's contribution to GNP. However, the timely steps taken by the government to ensure the availability of raw cotton to domestic yarn manufacturers and a substantial increase in the installed spindleage are expected to sustain some respectable growth in the textile industry which has a sizeable weight in total manufacturing. On the basis of the production trend of certain selected industrial products during the first quarter of the current financial year, this sector is now expected to achieve a rate of growth of 6.7 per cent as against 11.4 per cent of the original 1973-74 Annual Plan (See Table 1). It may be mentioned that in accordance with current practices of estimating small industry's growth by the Statistical Division, its contribution to GNP is again projected at the population rate of growth. However, evidence exists which would indicate a higher growth than population rate for the small industries. In order to maintain a certain degree of comparability with the present time-series data, population growth rate has been applied until such times as the Statistical Division, carries through a revision in its methodology.

10. Alongwith the increase of GNP at 5 per cent per annum, imports are expected to rise by 67 per cent reflecting the potential use of the foreign exchange reserves built up in 1972-73, larger aid flow in 1973-74 and the substantially increased requirements of food imports as a result of the flood damage. National resources will increase as a consequence by about 16.2 per cent. This increase has been allocated amongst private consumption, government consumption, fixed investment, increases in stocks and exports in a manner which reflects the new development strategy. (See table 2).

11. A large increase in expenditure is being provided for fixed investment which is planned to go up by 17.8 per cent. The fixed investment GNP ratio is to increase from 14.2 per cent in 1972-73 to 15.7 per cent in 1973-74. This represents a step towards raising the ratio to 20 per cent in a short period in order to sustain rapid growth and improve living standards.

12. Exports are projected to increase by 39 per cent which in all likelihood will be attained given the buoyant world demand for cotton yarn and rice. Pressures for increasing government consumption have been considerably restrained in order to release resources for productive uses and to curb the inflationary trend. However, the increase allowed for 1973-74 was unavoidable after the floods as substantial expenditure were required for relief and rehabilitation programmes.

13. A substantial increase of 13.2 per cent is being provided for private consumption. A part of this increase will be required for offsetting the damage caused by the floods and the rest will go towards improving the living standard of the people. As a result of the income redistribution and employment generation policies of the government, this increase in private consumption will be shared equitably. A significant improvement in living standards is therefore predicted.

TABLE I
GNP AT CONSTANT FACTOR COST OF 1959-60
WEST PAKISTAN (Incl. unallocated)

Sectors	(Crore Rupees)					
	1969-70	1970-71	1971-72	1972-73 (Provisional)	1973-74 (Original Target)	1973-74 (Revised Target)
I. Agriculture	1257.4	1218.8	1261.1	1300.2	1397.5	1339.0
(a) Major Crops	755.3	704.5	733.6	760.0	836.0	785.8
(b) Other Agriculture	502.1	541.3	527.5	540.2	561.5	553.2
II. Manufacturing	515.6	523.4	498.8	526.0	586.0	561.3
(a) Large Scale	404.2	409.0	381.3	405.3	462.0	437.3
(b) Small Scale	111.4	114.4	117.5	120.7	124.0	124.0
III. Construction	135.7	139.0	116.3	132.0	145.0	149.0
IV. Wholesale & Retail Trade	445.7	445.3	441.4	479.7	527.0	510.0
V. Others*	876.0	899.2	952.2	1,044.2	1,106.5	1,088.2
Total	3,230.4	3,225.7	3,269.8	3,482.1	3,762.0	3,655.7

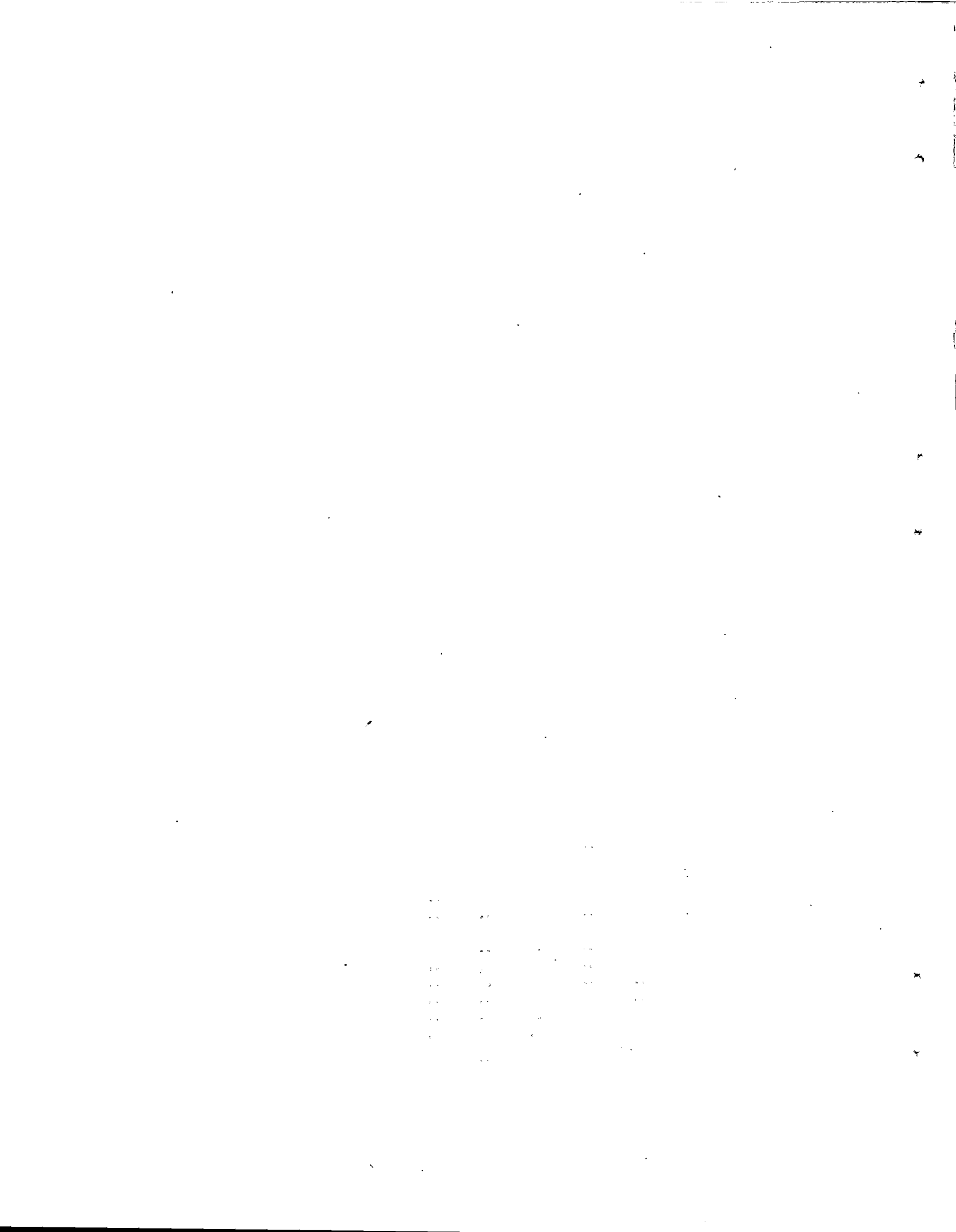
Growth Rates (%)

	Growth Rates (%)		
	1971-72	1972-73 (Original Target)	1973-74 (Revised Target)
I. Agriculture	3.1	7.5	2.9
(a) Major Crops	3.6	10.0	3.4
(b) Other Agri.	2.4	3.9	3.4
II. Manufacturing	5.4	11.4	6.7
(a) Large Scale	6.3	14.0	7.9
(b) Small Scale.. .. .	2.7	2.7	2.7
III. Construction	13.5	9.9	12.9
IV. Wholesale & Retail Trade	8.7	9.9	5.0
Others*	9.7	6.0	5.0
Total	6.5	8.0	5.0

*Including net factor income from abroad.

TABLE 2
NATIONAL EXPENDITURE ACCOUNT CURRENT PRICES

	(Crore Rupees)				
	1969-70	1970-71	1971-72	1972-73 (Prov.)	1973-74 (Target)
1. GNP at factor cost	4,330.2	4,546.5	4,898.2	5,668.1	5,951.5
2. Indirect Taxes less subsidies	403.9	438.4	438.7	471.4	583.0
3. GNP at market price	4,734.1	4,984.9	5,336.9	6,139.5	6,534.5
4. Import of Goods and Services	494.2	532.3	472.7	1,171.0	1,960.0
Total Resources	5,228.3	5,517.2	5,809.6	7,310.5	8,494.5
USES					
1. Private Consumption	3,627.7	3,817.0	4,003.6	4,490.6	5,083.0
2. Government Consumption	484.6	527.0	631.0	741.5	869.0
3. Fixed Investment	681.4	4.5	688.1	870.0	1,025.0
4. Changes in Stocks	70.6	84.7	84.7	100.0	100.0
5. Exports of goods and Services	363.7	392.2	392.3	1,071.0	1,380.0
6. Net Factor Income from to rest of the World	(+)0.3	(+)8.2	(+)9.9	(+)7.4	(+)37.5
Total Expenditures	5,228.3	5,517.2	5,809.6	7,310.5	8,494.5
As percentage of GNP					
Investment	14.4	14.1	13.0	14.2	15.7



CHAPTER 3

PUBLIC SECTOR DEVELOPMENT PROGRAMME

Review of ADP 1972-73

The Annual Development Programme for 1972-73 was formulated against the background of a difficult economic situation. In order to rehabilitate the economy and to restore it to a respectable growth path, the Annual Plan 1972-73 aimed at implementing a programme of Rs. 415 crore in the public sector. The ADP size was raised to Rs. 475 crore by an additional Rs. 60 crore through extra-budgetary allocations made during the course of the year for some essential programmes consisting mainly of the subsidy on fertilizers (Rs. 13.92 crore), Oil and Gas Corporation (Rs. 3.72 crore) Pakistan Storage Corporation (Rs. 2 crore), People's Finance Corporation (Rs. 3 crore), National Development Finance Corporation (Rs. 3 crore), SCARPs in Punjab and Sind (Rs. 6 crore), Housing Programme for Punjab (Rs. 3 crore), People's Works Programme in Punjab and Sind (Rs. 10 crore) and import of buses (Rs. 6.20 crore). The actual implementation is likely to be in the region of Rs. 448 crore. The shortfall is attributable to a number of administrative, financial and institutional constraints.

ADP 1973-74

2. The Programme for 1973-74 represented a continuation of the development strategy for 1972-73 with a significant increase in its financial dimensions. The size and composition of this programme had been determined keeping in view the following objectives :—

- (a) to accelerate the development effort of the country by stepping up the investment level, by more effective utilization of existing capacity and by stimulating exports ;
- (b) to re-distribute consumption in favour of the poor through suitable changes in the patterns of production and through higher expenditure on social investment, particularly education, health, drinking water, housing, communications and electricity ;
- (c) to enlarge opportunities for productive employment ; the general policies for expanding employment opportunities to be supplemented and coordinated with specific programmes to draw the educated unemployed into the stream of gainful economic activity ;
- (d) to intensify efforts for the development of economically backward areas of the country ;
- (e) to devise special programmes for rural development and for improving living conditions in urban areas ;
- (f) to maintain an appropriate balance between wages, prices, and incomes and ensure adequate supplies of essential consumption goods at reasonably stable prices.

3. In determining project-wise allocations, the following considerations had been kept in view :—

- (a) physical targets and implementation schedule ;
- (b) status of approval and stage of implementation ;
- (c) availability of foreign aid ; and
- (d) prospects of the direct and indirect contribution towards increase in output.

The on-going projects had been protected and efforts had been made to ensure the full utilization of the available foreign aid. In certain cases provision had been made even for new unapproved projects which are linked with new policies of the Government *viz.* Education Policy, Health Policy, National Development Volunteers Programme, etc.

4. The size of the ADP for 1973-74 had been fixed at Rs. 557.50 crore which represented an increase of 34 per cent over the original ADP for 1972-73 and 24 per cent over the revised estimates of expenditure.

5. The Federal Development Programme for 1973-74 was placed at Rs. 350.50 crore. The proposed expenditure represented an increase of about 27 per cent over the Budget Estimates for 1972-73. Included in the Federal Development Programme were allocations for the Indus Basin Works, WAPDA Power Programme, Port Development, Expansion of Radio and Television facilities, Development Programme of WPIDC and Expansion of Civil Aviation facilities. Allocations have also been made for various financing institutions, *e.g.*, House Building Finance Corporation, National Development Finance Corporation, Agricultural Development Bank and new institutions.

6. The requirements of less developed areas, like Azad Kashmir, were accorded special consideration and a sizeable and more useful programme was provided for in the Northern Areas and Federally Administered Tribal Areas in order to uplift the socio-economic conditions of the area in true perspective. An allocation of Rs. 5.08 crore (subsequently raised to Rs. 6 crore), was made for Azad Kashmir as against the revised estimate of Rs. 3.05 crore for 1972-73. Similarly, allocations of Rs. 3 crore and Rs. 5 crore were made for Northern Areas and Federally Administered Tribal Areas, respectively.

7. The programme of WAPDA (Power) and PWR had been given Rs. 96 crore and Rs. 21 crore, respectively. The sizeable provision for these sectors was to make a significant contribution to the removal of structural bottlenecks in the economy caused by lags in their development. In distributing the balance of the provision, considerable edge had been given to the under-developed provinces.

8. The Provincial allocations including provisions made for WPIDC programme were made on an *ad hoc* basis keeping in view the relative development requirements, the need for infrastructure creation, the developmental potential of the regions and their respective population. The percentage share of the four provinces is given below :—

Province	Allocation (Crore Rs.)	Percentage Share	Population (1972 census) Percentage Share*
Punjab	125.75	56.1	60.1
Sind	46.90	20.9	22.5
N.W.F.P.	32.35	14.4	13.5
Baluchistan	19.20	8.6	3.9
Total	224.20	100.0	100.0

*These figures have been worked out after excluding the population of Federal Capital Area and Tribal Areas.

Allocations by Executing Authorities

9. Break-down of Annual Development Programme 1972-73 and provision for 1973-74 by executing authorities are given below :—

TABLE I
Development Programmes for 1972-73 and 1973-74 by Executing Authorities

	ADP 1972-73	ADP 1973-74	Percentage Increase
1. Federal Government	79.53	143.11	79.8
2. WAPDA (Power)	75.32	95.98	27.5
3. P. W. R.	17.48	20.86	19.4
4. W.P.I.D.C.	14.63	17.20	17.8
5. Indus Basin	82.43	73.23	—
6. Miscellaneous Federal Programme	5.63	0.12	—
7. Provincial Programmes	140.03*	207.00*	47.8
(a) Punjab	78.90	115.00	45.8
(b) Sind	27.83	44.00	58.3
(c) NWFP	21.25	30.00	41.5
(d) Baluchistan	12.05	18.00	48.8
Total	415.05	557.50	100.0

*Inclusive of WAPDA (Water) Programme.

10. The projects and programmes included in the Federal Annual Development Programme complemented as well as supplemented the provincial development programmes. About 47 per cent of the total programme of Federal Ministries and Divisions and the entire programme of WPIDC was allocable to provinces. In addition, the requirements of population planning programme and of Bolan Medical College, Quetta, was to be met from the Federal Annual Development Programme.

Post Flood Repair-Cum-Reconstruction Programme, 1973-74

11. As a result of devastating floods of August 1973, immediate financial requirements arose for repairs, reconstruction and restoration of infra-structural facilities. The expenditure was estimated at Rs. 34.75 crore, as follows :—

										(Crore Rs.)	
Irrigation	17.00	(Punjab Rs. 10 crore) Sind Rs. 7 crore).
Roads	7.00	(Punjab Rs. 5 crore, Sind Rs. 2 crore).
Telecommunication facilities	4.00	
Railways	5.00	
Power	1.50	
Post Offices	0.25	
Total										34.75	

12. In order to be able to meet these requirements, the Inter-Provincial Conference took the following decisions at their meetings held in early September 1973.

- (i) Immediate and expeditious steps should be taken for repairing and restoring infra-structural facilities.—The work must start immediately. Resources should be found immediately by appropriate inter-sectoral and intra-sectoral adjustments to meet the immediate financial requirements. The funds available in lower priority programmes may be diverted for this purpose.
- (ii) Federal and Provincial Governments should review development and non-development expenditure with a view to exercising maximum economy and diverting funds from lower priority items to relief and reconstruction.
- (iii) Without curtailing ADP the Provincial Governments should conduct an exercise to effect savings in expenditure.

13. The adjustments required in Federal ADP to accommodate expenditure on repairs and reconstruction were relatively small. Substantial changes were, however, needed to be made in the Provincial ADP for Punjab and Sind. The final adjustments as approved by the Punjab Council of Ministers are indicated in Appendix II. Partial adjustments in Sind ADP as approved by Sind Council of Ministers and those presented by the Provincial Government at the Review Meeting held in December 1973, are shown in Appendix III.

Sectoral Composition

14. Sector-wise distribution of the development programme 1973-74 compared to 1972-73 is as presented in Table II below. Details by provinces and the Federal Government are shown in Appendix I.

TABLE II
Sector-wise Distribution of Annual Development Programme for
1972-73 and 1973-74

									(Crore Rs.)		
									Original ADP 1972-73	Original ADP 1973-74	Percent- age incre- ase in 1973-74 over 1972-73
1. Agriculture	..	..	..	..	..	..	..	..	38.80	61.67*	58.9
2. Water	..	..	..	..	..	..	..	..	34.00	40.53	19.2
3. Power	..	..	..	..	..	..	..	..	80.20	100.18	24.8
4. Industry, Fuels & Minerals	..	..	..	..	..	..	..	..	28.30	56.00	97.9
5. Transport & Communications	..	..	..	..	..	..	..	..	73.30	110.82	51.0
6. Physical Planning and Housing	..	..	..	..	..	..	..	..	23.30	50.20	115.4
7. Education	..	..	..	..	..	..	..	..	27.40	31.30	17.2
8. Health & Population Planning	..	..	..	..	..	..	..	..	14.00	22.72	62.1
9. Social Welfare	..	..	..	..	..	..	..	..	0.90	4.92	188.2
10. Manpower	..	..	..	..	..	..	..	..	0.80		
11. People's Works Programme	..	..	..	..	..	..	..	..	10.00	18.25	83.0
12. Miscellaneous Programme	..	..	..	..	..	..	..	..	5.60	0.12	—
Total									336.78	496.71	47.5
Less Shortfall	..	..	..	..	..	..	..	..	4.16	12.45*	—
Total (Net)									332.62	484.26	45.3
Indus Basin/Tarbela	..	..	..	..	..	..	..	..	82.43	73.24**	—
Grand Total (Net)	..	..	..	..	..	..	..	..	415.05	557.50	34.3

*Includes Rs. 0.32 crore for purchase of pumps and equipment of wells etc. in Baluchistan shown under water sector in consolidated ADP 1973-74.

**Includes Rs. 18.6 crore for the Fifth Tunnel.

15. Sectoral priorities implicit in the overall original development programme for 1972-73 and 1973-74 are indicated in Table III below :—

TABLE III
Sectoral Priorities
(Percentages)

											ADP 1972-73	ADP 1973-74
1. Agriculture	..	..	..	..	..	..	..	..	..	..	9.3	11.0
2. Water	..	..	..	..	..	..	..	..	..	..	8.2	7.2
3. Power	..	..	..	..	..	..	..	..	..	..	19.4	18.0
4. Industry, Fuels & Mineral	..	..	..	..	..	..	..	..	..	..	6.8	10.0
5. Transport & Communications	..	..	..	..	..	..	..	..	..	..	17.7	19.8
6. Physical Planning & Housing	..	..	..	..	..	..	..	..	..	..	5.6	9.0
7. Education	..	..	..	..	..	..	..	..	..	..	6.6	5.7
8. Health and Population Planning	..	..	..	..	..	..	..	..	..	..	3.4	4.0
9. Social Welfare	..	..	..	..	..	..	..	..	..	..	0.2	0.9
10. Manpower	..	..	..	..	..	..	..	..	..	..	0.2	
11. People's Works Programme	..	..	..	..	..	..	..	..	..	..	2.4	3.3
12. Miscellaneous Programme	..	..	..	..	..	..	..	..	..	..	1.3	0.2
Total											81.1	89.1
Less Shortfall	..	..	..	..	..	..	..	..	..	..	1.0	2.2
Total (Net)											80.1	86.9
Indus Basin/Tarbela	..	..	..	..	..	..	..	..	..	..	19.9	13.4
Grand Total (Net)											100.0	100.0

16. Allocation to agriculture sector constitutes about 11 per cent of the total programme for 1973-74 and would mainly be utilized for the provision of critical inputs *i.e.*, fertilizer distribution programme and plant protection services, improved variety of seeds and increased availability of water from tubewells. The revised allocations, shown in Appendices II and III, include special measures necessitated by the floods. The water and power sectors which also support agriculture were provided very large allocations. In the Federal Development Programme, an amount of Rs. 1 crore was also provided for credit facilities to agriculturists.

17. The water sector programme had been assigned the highest priority and an allocation of Rs. 114 crore or 20.4 per cent was made in original ADP 1973-74. Of this, Rs. 73 crore were provided for Indus Basin/Tarbela including a provision of Rs. 18.6 crore for construction of the fifth Tunnel at Tarbela. In the water sector, the programme for controlling waterlogging and salinity was given the highest priority and nearly two thousand tubewells in SCRAP areas are expected to be energised by the end of the year. The programme for encouraging private tubewell development through grant of tubewell subsidies and loans on easy terms will be accelerated during 1973-74.

18. The power sector programme was also assigned a very high priority. The allocation for power development by WAPDA during 1973-74 was put at Rs. 96 crore for generation, transmission and distribution, which shows an increase of 27.5 per cent over the level of 1972-73. It is planned to add 120,000 new consumers all over the country. A separate provision of Rs. 5 crore was made for electrification of 500 villages during 1973-74. The total allocations for power sector would be 18 per cent of the original development programme for 1973-74.

19. The share of Industry, Fuels and Minerals in the overall development programme for 1973-74 is 10 per cent as compared to 6.8 per cent during 1972-73. Provision was made for new agro-based industries including textile mills, sugar mills, cotton ginning factories etc. An allocation of Rs. 17 crore was made for WPIDC projects such as Heavy Foundry and Forge, Taxila, modernization and expansion of Multan Fertilizer Factory and Larkana Sugar Mills. The programme of exploration and development work, development of the gas reserves, and Petroleum Storage Development Corporation of Pakistan were provided for in the Fuels and Minerals Sector. An allocation of Rs. 9 crore was made to National Development Finance Corporation and other new institutions for financing industrial projects.

20. About 20 per cent of the total allocation was earmarked for transport and communications sector which enjoys the second highest priority. The programme includes reconditioning of roads and construction of new roads in Sind, NWFP, Baluchistan and the Punjab. An amount of Rs. 21 crore was allocated to P.W.R., mainly for track renewal and procurement of new locomotives. Work on the improvement and expansion of Karachi Port, and development of a new port at Bander Qasim will be started. In the field, of telecommunications 25,000 new telephone lines would be installed. Allocation of Rs. 27.5 crore was provided for the development of telephones and telegraphs.

21. An allocation of Rs. 50 crore was made for housing and related amenities. This represents an increase of about 115 per cent over the previous year's level. A provision of Rs. 10 crore was made for the House Building Finance Corporation for encouraging house construction in the Private Sector.

22. Social Sectors Programmes were adequately provided for, mainly in the fields of improved and expanded facilities for education at all levels, scholarships, direct help to students, particularly students of poor families, and interest-free loans for talented children of farmers, labourers, factory workers and other low income families. In the Health Sector, the programme will be mainly for improving medical facilities in the rural areas and small towns. In the manpower and employment sector, National Development Volunteers Programme has been launched. It will provide job opportunities to scientists, engineers and technicians. In addition to finding regular employment for these categories of educated unemployed, those who cannot get jobs will be given on-the-job training in private and public sector organisations.

23. The share of People's Works Programme was increased from 2.4 per cent of the total programme in 1972-73 to 3.3 per cent in the original programme for 1973-74. This is in addition to the provisions made for Integrated Rural Development Programme. The main objectives are to take the process of economic development to the door-steps of the people by increasing employment and reducing under-employment. Efforts are required to be made for having physical impact of the programme in the country.

ANNUAL DEVELOPMENT PROGRAMME 1973-74
BY PROVINCES AND FEDERAL GOVERNMENT

(Crore Rs.)

Sectors	Punjab	Sind	N.W.F.P.	Baluchistan.	Federal Government.	Total
1. Agriculture	34.46	9.78	6.89	2.86*	7.68	61.67
2. Water	13.92	10.19	5.04	5.70	5.68	40.53
3. Power	—	—	—	—	100.18	100.18
4. Industry, Fuels and Minerals	5.00	0.40	0.80	0.28	49.52	56.00
5. Transport and Communications	21.50	7.20	5.63	3.39	73.10	110.82
6. Physical Planning and Housing	17.00	6.35	3.19	1.94	21.72	50.20
7. Education	11.70@	5.83	4.09	1.53	8.15	31.30
8. Health & Population Planning	9.42	3.50	2.92	0.95	5.93	22.72
9. Social Welfare and Manpower	1.00	0.20	0.24	0.10	3.38	4.92
10. P.W.P. including Rural Works Programme	12.00	2.00	1.20	1.25	1.80	18.25
11. Miscellaneous Programme	—	—	—	—	0.12	0.12
12. Total (Gross)	126.00	45.45	30.00	18.00	277.26	496.71
Less operational shortfall	11.00	1.45	—	—	—	12.45
Total (Net)	115.00	44.00	30.00	18.00	277.26	484.26
Indus Basin/Tarbela	—	—	—	—	73.24	73.24
Grand Total	115.00	44.00	30.00	18.00	350.50	557.50

@Allocation of Rs. 0.032 crore pertaining to College of Animal Husbandry, Lahore and Rs. 0.768 crore for Agriculture University, Lyalpur are shown under Agriculture Sector.

*Includes Rs. 0.32 crore for purchase of pumps and equipment for wells etc, shown under water sector in the consolidated ADP, 1973-74.

**COMPARATIVE SECTOR-WISE ALLOCATIONS AS PER ORIGINAL ADP AND REVISED
ADP, 1973-74**

PUNJAB

Sectors/Sub-Sectors	(Crore Rs.)		
	Original ADP allocations	Revised ADP allocations	Post Flood Repair- Cum-Re- construction Programme for 1973-74
A. Production Programme	50.66	43.21	5.24
1. Agriculture	33.66	32.79	3.16
(i) Agriculture and Agricultural Credit	29.45	28.90	3.00
(ii) Animal Husbandry	1.64	1.64	—
(iii) Forestry	1.10	0.79	0.15
(iv) Fisheries	0.20	0.19	0.01
(v) Co-operative & Rural Credit	0.25	0.25	—
(vi) Food Storage	0.50	0.50	—
(vii) Land Consolidation	0.52	0.52	—
2. People's Works Programme	12.00	6.50	20.00
3. Industry, Fuels and Minerals	5.00	3.92	0.08
B. Physical Infrastructure	52.42	43.42	14.95
4. Water	6.50	4.00	8.50
(a) Water (WAPDA)	7.42	6.92	0.50
5. Transport and Communications	21.50	19.45	4.05
6. Physical Planning and Housing	17.00	13.05	1.90
(i) Town Planning and Research	0.20	0.20	—
(ii) Low Income Housing	7.25	5.80	0.55
(iii) Agrovilles	0.15	—	—
(iv) Rural Water Supplies	3.00	2.21	0.04
(v) Urban Water Supplies	4.00	3.84	0.11
(vi) Government Servant Housing	0.85	0.45	0.20
(vii) Government Offices and Buildings	1.55	0.55	1.00
C. Social Infrastructure	22.92	19.37	2.13
7. Education and Training	12.50	9.95	1.55
8. Health	9.42	8.42	0.58
9. Social Welfare	0.50	0.55	—
10. Manpower Training	0.50	0.45	—
	Total (Gross)	126.00	106.00
			22.32
<i>Less—Operational Shortfall</i>		11.00	—
	Total (Net)	115.00	106.00
			22.32

**COMPARATIVE SECTOR-WISE ALLOCATIONS AS PER ORIGINAL AND REVISED
ADP, 1973-74.**

SIND

(Crore Rs.)

S. No.	Sectors	Original ADP allocations	Revised ADP allo- cations as partially approved by Sind Council of Ministers in October 1973	Revised ADP allo- cations as presented by the Pro- vincial Govern- ment at the Review Meeting held in December 1973
1.	Agriculture	9.80	6.71	10.18
2.	Water	10.20	10.20	13.85
3.	Industry, Fuels and Minerals	0.40	0.40	0.36
4.	Transport and Communications	7.20	7.20	9.98
5.	Physical Planning and Housing	6.35	7.44	7.35
6.	Education	5.80	5.80	5.3
7.	Health	3.50	3.50	3.15
8.	Social Welfare and Manpower	0.20	0.20	0.21
9.	P.W.P.	2.00	2.00	1.80
10.	Nara and Kohistan Development	—	0.25	0.25
	Total	45.50	43.70	52.44
	<i>Less 10% overall cut</i>	—	4.55	—
	<i>Less Operational Shortfall</i>	1.50	1.50	—
	Total (Net)	44.00	37.65	52.44

CHAPTER 4

FINANCING OF THE PUBLIC SECTOR DEVELOPMENT PROGRAMME

The task of resource mobilisation during the financial year 1972-73 posed a tremendous challenge as Pakistan had to assume, with a reduced resource base, the obligations and commitments on the previous scale. The requirements for defence outlays were high but inescapable to safeguard the security of the country. The liability for servicing external debt had to be continued, the expenditure on administration could not be much reduced and greater resources were required to meet many social needs of a non-development character. The development expenditure which had remained at a very low level for several years had to be increased to stimulate the economy. One of the important objectives of the budget for 1972-73 was, therefore, to increase the revenues in order to meet this situation and to prepare the fiscal system for financing the requirements of the country. A development outlay of Rs. 415 crore for the public sector which, in fact, was equal to the level already achieved in West Pakistan during 1969-70 on a comparable basis, was considered to be the barest minimum and vital not only from the point of view of completing long delayed projects but also to create employment.

Review of Progress in 1972-73

2. The programme of Rs. 415 crore was based on the expectation of Rs. 114 crore from domestic resources and Rs. 301 crore from external resources. The estimates of foreign assistance assumed a major increase in non-project aid. The rupee resources included the anticipated yield from the new tax effort. Broad details of the availability of resources for financing the ADP are shown in Appendix.

Revenue Receipts

3. The gross revenue receipts of the Federal Government including the effect of new tax measures were estimated at Rs. 877 crore in the original budget for 1972-73. The estimates of major tax receipts were, however, reduced by about Rs. 12 crore through some post-budget measures including income tax remissions, abolition of sales tax on the import of tractors and reduction in the export duty on cotton which was partly off-set by an upward revision of export duty on yarn and rice. As a result of improved collections of income tax, the original estimates of taxes on income have been maintained in spite of the post-budget concessions. In the case of customs, there is an improvement of about Rs. 4 crore over the original budget estimates due to the liberal import policy and the revival of the economy. The sales tax receipts stand reduced by Rs. 29 crore in the revised estimates for 1972-73. This decline is due to the fact that the original estimates were based on the expectation of heavy imports of goods liable to sales tax which did not materialize as certain items were exempted from sales tax and the imports of items liable to sales tax were lower than anticipated in the budget. The collections of central excise duties have also declined by about Rs. 13 crore due to reduction in the rate of duty on motor spirit and jet fuels and an increase in exports of cotton textiles and cement.

4. The non-tax receipts are estimated to decline by about Rs. 4 crore as compared with the original budget estimates. On an overall basis, the revised estimates of gross revenue receipts are placed at Rs. 842 crore showing a shortfall of Rs. 35 crore which is due mainly to the decline of Rs. 46 crore under the heads mentioned above partly off-set by improvement in customs revenue and a rise of about Rs. 7 crore in the receipts on account of development surcharge on petroleum. Excluding the provincial share in federal taxes, the net revenue receipts of the Federal Government are estimated at Rs. 755 crore against the budget provision of Rs. 762 crore.

Non-Development Revenue Expenditure

5. The revised estimates of non-development expenditure of the Federal Government are placed at Rs. 733 crore as compared with the original budget of Rs. 743 crore. The saving occurred as a result of reduction of Rs. 60 crore in debt servicing liability which was partly off-set by an increase of Rs. 21 crore in defence expenditure and of Rs. 29 crore in administrative and miscellaneous expenses. The saving in the revised estimates of debt servicing was due to revision of amortization schedule of foreign loans and the waiving off of liabilities by USSR and other Socialist countries in respect of loans utilized in East Pakistan. The administrative and miscellaneous expenses increased due to additional requirements for rehabilitation of war displaced persons, Federal Security Force, grants-in-aid to Provinces and other miscellaneous items.

Net Capital Receipts

6. The non-inflationary domestic capital receipts which were estimated at Rs. 64 crore in the budget for 1972-73 have gone down to Rs. 2 crore in the revised estimates. The decline has been due mainly to expenditure on East Pakistan guaranteed debt (Rs. 30 crore), subsidy on wheat imported from Federal Government's own resources on account of reduction in the quantity of PL-480 wheat (Rs. 15 crore), subsidy on sugar (Rs. 9 crore) and smaller accretions to the national defence fund (Rs. 5 crore).

Contribution of Provinces and Autonomous Bodies

7. The Provincial Governments were not in a position to make any contribution to the financing of the ADP for 1972-73 as a result of a substantial increase in their non-development expenditures. The Provinces of Punjab, Sind and NWFP were expected to balance their budgets. Baluchistan had a revenue deficit of Rs. 9.7 crore which was to be met by the Federal Government through an interest free loan of an equivalent amount. The contributions of PWR and WAPDA were fixed at Rs. 3.7 crore and Rs. 6.2 crore respectively. The additional share of Provinces out of the new taxes levied by the Federal Government was estimated at Rs. 6.4 crore on the basis of which the overall contribution of the Provinces and Autonomous Bodies worked out to be about Rs. 16 crore in the final budget for 1972-73.

8. The revised estimates for 1972-73 indicate that instead of making a positive contribution of Rs. 6.4 crore out of the additional revenue assignments, the Provinces will be left with a deficit of about Rs. 10 crore. This was due almost entirely to a fall in the Federal Tax assignments following the decline in collection of divisible taxes. The PWR and WAPDA are expected to raise contributions at the levels promised in the original budget.

External Resources

9. External resources were projected at Rs. 301 crore consisting of Rs. 111 crore as project aid, Rs. 161 crore as rupee-generating non-project assistance and Rs. 29 crore on account of food aid. The actual inflow of project aid is estimated to be lower by Rs. 37 crore. The rupee generating aid including the food aid has, however, increased by Rs. 47 crore. The revised estimates of rupees generating aid are placed at Rs. 237 crore consisting of Rs. 191 crore as commodity aid and Rs. 46 crore as food aid.

Overall Position

10. As explained in Chapter 3 on Public Sector Development programme, the actual development expenditure during 1972-73 was higher than the original budget as a result of extra budgetary allocations for some essential schemes which could not be provided in the original budget. The increase in the size of the Annual Development Programme in the face of a decline in resource availability necessitated a sizeable recourse to deficit financing. The position regarding expansionary financing in the government sector is discussed in Chapter 7 on Monetary and Credit Policy.

Financing of ADP for 1973-74

11. In view of the post budgetary changes particularly those occasioned by the unprecedented floods of August 1973, financing of the ADP for 1973-74 is being discussed first as originally contemplated by the 1973-74 budget and later with reference to changes that have taken place since.

12. The size of the development programme for 1973-74 was fixed at Rs. 557 crore which represented an increase of about 34% over the original ADP for 1972-73 and about 24% over the estimated expenditure during the year. A sizeable effort in resource mobilisation was mounted to finance this programme. The budget provided for new revenue measures which were expected to yield Rs. 60 crore. It also aimed at an increase in savings in the economy as part of the anti-inflationary policy. A number of voluntary savings schemes which offer attractive returns were introduced. Radical measures were taken to widen the appeal of small savings schemes. These schemes are now available in various forms to meet the requirements of every category of investors. In all cases, the interest rates are extremely generous and, in most cases, income tax liability is not attracted.

13. According to the original budget the programme of Rs. 557 crore was to be financed from domestic resources of Rs. 227 crore and foreign resources of Rs. 330 crore. Broad details of the availability of resources are shown in table 1 below :—

TABLE 1
Financing of ADP for 1973-74
(As in the original budget)

										(Crore Rupees)
Net Development Programme										557
Financed by :										
A. Internal Resources										227
(a) Existing Basis										102
(i) Federal Government										87
(ii) Provinces										—*
(iii) Autonomous Bodies (WAPDA & PWR)										15
(b) Additional Taxation										60
(i) Federal Government										52
(ii) WAPDA										8
(c) Uncovered Gap										65
B. External Resources										330
(a) Project Aid										95
(b) Commodity Aid										205
(c) Food Aid										30
Total Financing										557

*As assumed by the Federal Government. Actually, the Provincial budgets revealed a gap of about Rs. 18 crores which was expected to be met through economies in non-development expenditures or additional revenue efforts during the course of the year.

Revenue Receipts of the Federal Government

14. Gross revenue receipts of the Federal Government for 1973-74 at 1972-73 tax rates were estimated at Rs. 941 crore. This implied an improvement of Rs. 99 crore over the previous year's revised estimates. The major components of this improvement were (a) export duties Rs. 33 crore, (b) import duties Rs. 16 crore (c) federal excise duties Rs. 10 crore and (d) an increase of Rs. 40 crore in non-tax receipts. Increased yield from customs duties was based on the liberal import policy and growth in exports due to the economic recovery and higher utilization of capacity in the industrial sector. The receipts on account of federal excise duties reflected the normal growth in industrial sector of the economy. The excise duty on natural gas shall in accordance with the provisions of the permanent Constitution, be given over to the Provinces with effect from the 14th August, 1973. The receipts from this source during 1973-74 have accordingly been provided only for the period 1st July 1973 to 13th August 1973. The non-tax receipts for 1973-74 reflected increased recoveries of interest from the Provinces and local bodies, and more profit from export of rice.

15. The provincial share in Federal taxes, without the effect of new tax measures was estimated at Rs. 91 crore as compared with Rs. 87 crore in the revised estimates for 1972-73. Exclusive of the provincial share, the net federal revenue was estimated at Rs. 850 crore as against Rs. 755 crore in the previous year's revised estimates.

Non-Development Revenue Expenditure

16. Efforts were made to check the increase in non-development expenditure as far as feasible. Defence expenditure was kept at the level provided in the original budget for 1972-73 (Rs. 423 crore) which was significantly lower than the revised estimates of 1972-73. The expenditure on debt servicing was estimated at Rs. 218 crore as against Rs. 134 crore provided in the revised estimates for 1972-73. The estimates for 1973-74 were based on the revised schedule of payments. Other expenditure was estimated to increase from Rs. 155 crore in the revised estimates for 1972-73 to Rs. 186 crore in 1973-74. The increase of Rs. 31 crore over the revised estimates represented grants to Provinces for wheat subsidy (Rs. 14 crore), increase in the working expenses of Associated Cement (Rs. 3 crore), provision for Karachi Nuclear Power Plant (Rs. 3 crore) and normal increase in the administrative expenses of various departments.

Net Capital Receipts

17. The net capital receipts of the Federal Government which consist of the proceeds of small savings schemes, moneys received in repayment of loans, and accretions to reserve funds etc. together with the effect thereon of non-development capital payments on account of loans and advances, repayment of foreign debt and miscellaneous non-development investments, were estimated at Rs. 64 crore as compared with an equivalent provision in the original budget for 1972-73.

Contribution of Provinces and Autonomous Bodies

18. No contribution was expected from the Provinces in 1973-74 for the financing of the Annual Development Programme. As a matter of fact the provincial budgets indicated a resource gap of Rs. 18 crore which was likely to be filled through economies in non-development expenditure. The revenue receipts of the four Provinces were projected at about Rs. 257 crore in 1973-74 as against the revised estimates of Rs. 213 crore for 1972-73. The estimates for 1973-74 included the effect of additional mobilisation of resources by the Punjab and Sind amounting to Rs. 6.05 crore and Rs. 2.54 crore respectively, through revision of rates, rationalisation of collection procedure and collection of arrears. The non-development expenditure indicated further increases on account of large provisions for development departments, increase in interest payments in the case of the Punjab and Sind, normal growth in the expenditure on civil administration and other miscellaneous items. These expenditures were budgeted at Rs. 272 crore in 1973-74 as against an estimated expenditure of Rs. 230 crore in 1972-73.

19. PWR was expected to contribute Rs. 6.7 crore to the financing of ADP. WAPDA's contribution including the additional yield through revision of power rates was estimated at Rs. 16 crore.

External Resources

20. External resources were likely to contribute an amount of Rs. 330 crore. These estimates included a sum of Rs. 95 crore as project aid, Rs. 205 crore as rupee generating non-project assistance and Rs. 30 crore as food aid. Detailed projections and assumptions for adopting these estimates are given in Chapter 6 on Balance of Payments.

Additional Taxation

21. The internal resources of the Federal and Provincial Governments at the 1972-73 rates of taxation together with the external resources of Rs. 330 crore indicated above left a gap of Rs. 125 crore for financing the ADP of Rs. 557 crore. This gap was met to the extent of Rs. 60 crore by additional taxation and other revenue measures.

22. The fiscal proposals were framed keeping in view the policy objectives of the government, the principal aim of which is to meet the requirements of the common man and to strengthen the national economy. The specific aims of these measures were as follows :

1. To bring down and to stabilise the prices of essential commodities.
2. To generate more employment.
3. To combat inflation.
4. To increase revenues.

23. The financial measures included the following :

- (i) Rationalisation of the levy of import duty on motor cars, levy of import duties on betel leaves, reduction in the import duty on printing and writing paper and other minor modifications.
- (ii) Increase in the export duty on cotton, cotton yarn and cotton cloth and levy of duty on molasses.
- (iii) Increase in the general rate of sales tax on imported consumer goods from 10% to 20% and on some imported luxury goods from 20% to 30%.
- (iv) Increase in the exemption limit from Rs. 6,000 to Rs. 9,000 on taxes on income.
- (v) Revision of power rates of WAPDA to adequately meet the cost of power and to provide surplus particularly for village electrification. For Commercial and Industrial consumers, the increase was made at 20% and for public lighting and bulk sale at 10%.

24. The financial effect of the above measures was estimated as follows :—

	(Crore Rupees)
1. Import duties	15.00
2. Sales Tax	5.00
3. Export duties	34.00
4. Taxes on Income	(—) 2.00
5. Increase in electricity tariff	8.00
Total ..	60.00

Budgetary Deficit

25. With the net resource mobilisation of Rs. 60 crore from new taxes levied during the year, the budgetary gap of Rs. 125 crore to finance the development programme of Rs. 557 crore was expected to narrow down to Rs. 65 crore. The above estimates of additional resource mobilisation were, however, on the conservative side because the trend in international prices of cotton and its by-products was likely to lead to adjustments in export duties during the course of the year. The additional revenue yield, as a result of such adjustments, could be as high as to completely wipe out the budgetary deficit of Rs. 65 crore.

26. The Government was also considering some other policy measures in respect of subsidies which after implementation would have led to a surplus budget. However, irrespective of the ultimate budgetary situation, it was a major objective of the Government policy to keep the deficit financing at a negligible level in order to help maintain price stability.

Post Budget Changes

27. There have been many developments after the presentation of budget which have affected the resource position. The Export duties were revised upward twice in July, 1973. The Government announced a Price/Wage Package in early August. The initial forecast of availability of wheat through PL-480 is not expected to materialize. The floods have added an entirely new and unforeseen dimension. Apart from the expenditure on relief operations and reconstruction of infra-structure facilities damaged by floods, there has been a substantial damage to cotton and rice crops resulting in loss of revenues on account of export duties.

28. The details of these developments are explained in the subsequent paragraphs.

Revision of Export Duty

29. In July, 1973 the Federal Government further enhanced export duty on certain items. The duty on cotton yarn was raised to 30% *ad valorem*. In addition, a specific duty of 65 paise per pound was imposed on higher quality yarn and 25 paise per pound on lower quality. The specific duty on grey cloth was converted to *ad valorem* basis at the rate of 25%. The duty on semi finished leather was raised from 30% to 40%. New export duties were introduced at the rate of 15% for finished cotton products, 10% for cotton cloth bags, 15% on processed leather products, 5% on shoes and 30% on fish-meal and oil seed cakes.

Price/Wage Package Policy

30. In early August Government announced a Price/Wage Package policy. Under this policy a decision was taken to increase wages and prices of certain items with a view to correct some of the imbalance and distortions created by inflation. This package was evolved keeping in view the desirability of avoiding any further recourse to deficit financing in the public sector. The following financial measures were announced under this policy :—

- (a) Salary was increased by Rs. 35 of Government servants, employees of Corporations and Industrial and Commercial Workers, drawing salaries upto Rs. 700 per mensem.
- (b) Pension was increased by 15% subject to a maximum of Rs. 35.
- (c) The wheat issue price was raised to Rs. 22.50.
- (d) Vegetable ghee price was raised to Rs. 6 per seer.
- (e) Wheat procurement price was fixed at Rs. 22.50 per maund for next crop.
- (f) Coarse rice procurement price was increased by Re. 1 and basmati price by Rs. 2.
- (g) Fertilizer selling price was raised to Rs. 55 and Rs. 57 per bag for urea and DAP respectively.

Impact of Floods

31. The unprecedented floods which hit Pakistan have entirely changed the budgetary position. The adverse effect of floods on revenues in the public sector is estimated at about Rs. 145 crore consisting mainly of the loss of export duties on cotton and rice. There has also been a reduction in earnings from railways and telecommunication. In the Provinces, land revenue and water rates in flood affected areas have been remitted.

32. The additional expenditures arising out of floods consist of several categories :

First, loss of wheat stock has necessitated higher import with consequent increase in expenditure on subsidy. Similarly larger imports of edible oil consequent on damage to cotton crop would result in higher subsidy on edible oils.

Secondly, there has been considerable expenditure on rescue and relief operations. The bulk of this expenditure has been met from voluntary donations from within the country and from abroad. However, some impact on non-development expenditure of Government is inevitable.

Thirdly, repair and reconstruction of infra-structure facilities, school and public buildings etc. would necessitate large and urgent outlays by the government. The tentative estimates indicate that an expenditure of Rs. 47 crore would be required for this purpose.

Overall Impact of Post Budget Developments

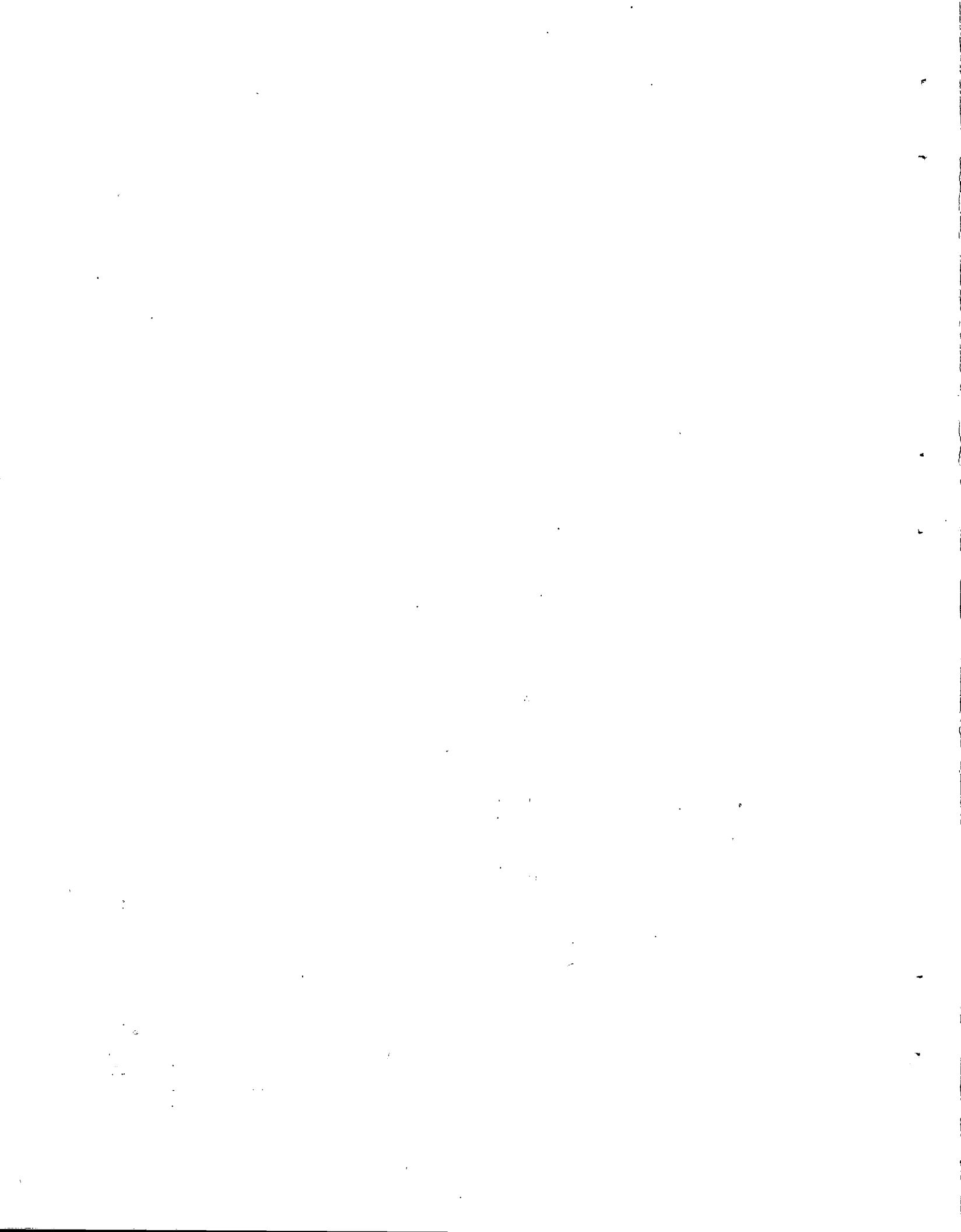
33. A tentative estimate of the overall impact of the above developments indicated that the pre-floods budgetary position which had improved significantly after the revision of export duties was again likely to be converted into a deficit of over Rs. 150 crore. The Government had to take a number of steps to reduce to the minimum the budgetary deficit. The principal anxiety of the Government is to minimise deficit financing, and to try to contain inflation. Accordingly fresh taxes were imposed in September which are estimated to bring additional revenues over Rs. 80 crore during the year. The expenditure on rehabilitation and reconstruction is being met partly by effecting economies in the A.D.P. It is expected that with these measures the budgetary deficit is not likely to be more than the deficit of Rs. 65 crore envisaged in the original budget.

FINANCING OF A.D.P. 1972-73 AND 1973-74

Appendix

(Crore Rupees)

	1972-73 Budget	1973-74 As in the Original Budget
I. SIZE OF A.D.P.		
1. Federal Government	269	350
(a) Departmental	80	143
(b) Indus Basin	82	73
(c) Autonomous Bodies	107	134
(WPIDC)	(15)	(17)
(WAPDA)	(75)	(96)
(P.W.R.)	(17)	(21)
2. Unallocable	6	—
3. Provinces	140	207
(a) Punjab	79	115
(b) Sind	28	44
(c) N.W.F.P.	21	30
(d) Baluchistan	12	18
Total	415	557
II. FINANCED BY		
A. INTERNAL RESOURCES		
(a) Federal Government		
1. Revenue Receipts		
(i) Tax Receipts	692	720
Customs	260	313
Federal Excise	238	235
Taxes on Income	105	105
Sales Tax	72	45
Others	17	22
(ii) Non-Tax Receipts	185	221
Total-Receipts (Gross)	877	941
Less-Provincial Shares	115	91
Net Revenue Receipts	762	850
2. Non-Development Expenditure	743	827
Defence	423	423
Debt Services	194	218
Others	126	186
3. Revenue Surplus	19	23
4. Net Capital Receipts	64	64
Small Savings	37	44
Others	27	20
(a) Total Federal Government	83	87
(b) Provinces & Autonomous Bodies	16	15
Provinces	6	—
PWR	4	7
WAPDA	6	8
Total (a) & (b)	99	102
(c) Gap between Expenditure & Resources	15	125
Total Internal Resources	114	227
B. EXTERNAL RESOURCES		
Project Assistance	111	95
Non-Project Assistance	161	205
Food Aid (Net)	29	30
Total Resources	415	557



CHAPTER 5

PRIVATE INVESTMENT

A Working Group was set up in January 1973 to estimate the level of private investment, in various sectors, in 1972-73, make projections for 1973-74 and suggest policy measures for stimulating private investment. The Working Group submitted its report in June 1973. The estimates of private investment for 1972-73 and projections for 1973-74 given in the report are reproduced below :

TABLE I
PRIVATE FIXED INVESTMENT
(Current Prices)
Original Estimates and Projections*

	1969-70	1970-71	1971-72	E 1972-73	P 1973-74	% Growth 1973-74
Agriculture	476.1	463.4	535.2	600.0	750.0	25.0
Large Scale Manufacturing	1208.2	1224.0	1016.3	1100.0	1400.0	27.3
Small Scale Manufacturing	187.7	201.7	219.1	300.0	400.0	33.3
Transport & Communications	514.7	518.3	606.9	850.0	1000.0	17.6
Ownership of Dwellings	502.3	555.6	603.9	750.0	900.0	20.0
Services	366.0	385.5	413.9	450.0	570.0	4.4
Others ¹	238.3	182.9	150.6	150.0	180.0	20.0
Total	3493.3	3531.4	3545.9	4200.0	5100.0	21.4

2. The rationale for the projected increase in private investment was that the economy had had sufficient time to adjust to the structural reforms undertaken by the present government and private capital would begin to come forth. In fact, some improvement in the stock market, increase in the import of machinery and equipment and a renewed interest in obtaining sanctions for loans from PICIC and IDBP pointed in the direction of a restoration of confidence and revival in investment activity in this sector. The unfreezing of the aid-pipeline and availability of new credits with the financial institutions, the liberalization of the import policy, increased incomes in the agriculture sector with the enhancement of procurement and international prices for agricultural products and the increased facilities for investment in housing and transport sectors were expected to lead to a substantial increase in private investment in 1973-74.

3. Since the report of the Working Group on Private Investment was written, certain events have occurred which have changed the outlook for private investment in 1973-74. To reflect the changed situation, estimates and projections of private investment have been revised. A comparative table showing the original and revised figures is presented below :—

TABLE II
PRIVATE FIXED INVESTMENT
(Current Prices)

	1970-71	1971-72	1972-73		1973-74	
			Original Estimate	Revised Estimate	Original Projection	Revised Projection
Agriculture	463	535	600	600	750	610
Large Scale Manufacturing	1224	1016	1100	1000	1400	830
Small Scale Manufacturing	202	219	300	300	400	400
Transport and Communications	518	607	850	859	1000	1078
Ownership of Dwellings	556	604	750	750	900	900
Services	385	414	450	450	470	470
Others	183	151	150	150	180	180
Total	3531	3546	4200	4100	5100	4468

*Source : Report of the Working Group on Private Investment for the Annual Plan 1973-74.

¹ Includes construction (construction machinery), electricity and gas, mining and quarrying and financial institutions.

E/Estimates.

P/Projections.

Agriculture

4. Main components of investment in Agriculture are tractors, tubewells, and other farm implements such as combines, trailers, threshers, ploughs, cane crushers etc. Conflicting information is given by different sources on the number of tubewells likely to be installed and tractors to be purchased in the Agriculture sector. The average rate of installation of the tubewells during the Third Plan period was given at 6,000 per annum. A target of 30,000 new tubewells was fixed for the Fourth Plan period. It is now estimated that only one-third of the Plan target is going to be achieved. Tentatively installation of 2000 tubewells at a cost of Rs. 18,000 each and 5000 tractors at Rs. 38,000 each are adopted for estimating private investment in Agriculture during 1973-74. Details of its various other components are provided in Table I in the Appendix.

Large Scale Manufacturing

5. At the time of making its Report, the Working Group on Private Investment had based their projections mainly on the disbursement of Loans by the various Financial institutions such as PICIC, IDBP, etc. along with an estimation of investment under PAYE scheme, and of non-repatriable investment. Private investment in the Large and Medium scale industries was thus projected at Rs. 90 crores for 1973-74. On the basis of disbursements made by PICIC and IDBP during July—October 1973, these two institutions have revised their projections of disbursements for the year 1973-74 as a whole.

Projects to be financed by PICIC and IDBP

6. The position of sanctions and disbursements for PICIC for past few years is given in Annexure II. It may be seen that during 1970-71 and 1971-72, disbursements exceeded fresh sanctions. In 1972-73, disbursements were roughly half of new sanctions. In 1973-74 we started with undisbursed sanctions of Rs. 61 crores. In the first four months, new sanctions have been given for Rs. 31 crores. However, disbursements amounted to only Rs. 0.8 crore. For the year as a whole PICIC is expecting disbursements of Rs. 7 crores (in foreign exchange). This would finance an investment of roughly Rs. 14 crores. IDBP have reduced their projection of foreign loan disbursements from Rs. 19 crores to Rs. 5 crores. (Table II in Appendix). This would finance investment of Rs. 10 crores.

7. No firm information is available in respect of investment under the PAYE scheme, and of non-repatriable and direct foreign investment. The Working Group on Private investment made a projection of Rs. 7.5 crores under PAYE scheme and Rs. 3.5 crores for foreign private investment. If this comes about, resulting investment including local expenditure, would be Rs. 22 crores. Sanctions under non-repatriable investment during first five months of 1973-74 amounted to Rs. 3.7 crores, out of which 3 crores relate to Foundry and Rolling Mills whose disbursement will spread over four years. Based on the sanctioned projects other than the foundry during the five months the investment comes to Rs. 1.6 crore. Including investment on foundry the total will be Rs. 2.4 crores. If local equity is also included the total would come to Rs. 4 crores.

8. No expenditure is likely to be incurred on such major private projects as Fertilizer plant of Dawoods' and the Fauji Foundation during the period under review.

9. We have to take account of the investment by B.I.M., if any comparison is to be made with the past. This investment is estimated at Rs. 33 crores as in Table III in Appendix.

10. The identified elements so far give a total of Rs. 83 crores as follows :

	<i>Rs. in crores</i>
PICIC	14
IDBP	10
PAYE and Foreign Private Investment	22
Non-Repatriable Foreign Investment	4
B.I.M.	33
Total ..	83

Small Scale Industry

11. The Working Group on Private Investment had projected investment in small-scale industry amounting to Rs. 40 crores in 1973-74 compared to Rs. 30 crores in 1972-73.

12. While figures for investment in this sector are difficult to obtain directly, indirect evidence points out a larger investment than an increase of Rs. 10 crores.

13. B.I.M. has provided information about production of looms. At the rate of production during first quarter, they estimated a production of 1000 looms in the mills directly controlled by them against virtually no production of looms by them last year. They have estimated total production of looms in the country at roughly 4000 for 1973-74. This would involve an investment of Rs. 10 crores.

14. The increase in the production of carpets, leather goods, sports goods, footwear and handicrafts as shown by the exports of these goods during the first four months, signifies further investment taking place in these industries.

Transport Sector

15. A Sub-group on Transport Sector under the Working Group on Private Investment had projected an investment of Rs. 100 crores. This was adopted as the original estimate for the current year.

16. Based on a recent study on Private Investment in Road Transport carried out in the Planning Commission the projected number of private new vehicles in 1973-74 is as follows :

	Number	Unit Price (Rs.'000')	Value (Rs. million)
Buses	5000	130	650
Trucks	4000	95	380
Taxis	1200	11	23
Rickshaws	1000	25	25
			1078

17. The projection of trends is substantiated by the fact that during the first four months, import of transport equipment show an increase of 63 per cent in 1973-74 compared to the same period last year.

18. Information was not available for the following :

(i) Ships and boats purchased by private shipping corporations or N.S.C.

(ii) Non-Mechanized transport equipment like carts.

(iii) Planes purchased by P.I.A., if this is to be treated as part of private investment. It may be mentioned that P.I.A. like some other autonomous bodies such as KESC, KPT etc. are not included in Public Sector Investment.

Private investment in none of the above organizations is therefore reflected in the total private investment.

Ownership of Dwellings and Other Sectors

19. No new information on private investment in sectors other than those given in the above paragraphs has become available since the making of the report of the Working Group. Groups projections for these sectors are therefore repeated in the revised estimates reflected in Table II.

20. As evident from the table, the original target of Rs. 5100 million of private investment during 1973-74 is being revised downwards to Rs. 4468 million. This would imply an increase of about 9 per cent over last year's actual implementation. However, the above estimates have been made in terms of current prices and since the prices of investment goods are going to be under considerable pressure, real investment in 1973-74 would be substantially lower than last year.

TABLE I

PRIVATE INVESTMENT IN AGRICULTURE

1973-74

S. No.	Category	Physical (Number)	Value (in million) Rupees
I.	Tractor and Tractor implements	5,000	190.00
II.	Tubewells/pumps	2,000	36.00
III.	Others		
1.	Farm implements :		
(i)	Combines	250	17.50
(ii)	Trailers	4,500	18.00
(iii)	Threshers	7,500	18.75
(iv)	Drills	2,500	0.25
(v)	Ploughs	140,000	3.40
(vi)	Cane crushers	18,000	6.00
(vii)	Implements for Newly colonized area (holdings)	5,400 (acres)	2.70
2.	Land development	95,000	44.25
3.	Digging of Channels	150,000	1.50
4.	Farm buildings	120,000 (Number)	59.70
5.	Plant Protection equipment		
(i)	Hand sprayers	9,000	2.00
(ii)	Power sprayers	2,250	3.00
6.	Orchard Plantings	2,000 (acres)	0.72
7.	Foodgrain Storage		
(i)	House type (Wheat)	(Tons) 320,000	10.00
(ii)	House type (Rice)	150,000	15.00
8.	Dairy & Broiler Plant and equipment	—	2.00
9.	Fisheries	(Number)	
(i)	Mechanized boats	90	9.00
(ii)	Small boats	1,200	10.00
(iii)	Others	—	5.93
		(Million acres)	
10.	Land Consolidation	2.0	2.00
		Total I—III ..	457.70
IV.	Non-monetized Investment		150.00
		GRAND TOTAL ..	607.70

TABLE II
PICIC'S UNDISBURSED SANCTIONS
JULY 1969—OCTOBER 1973

		(Rs. in million)				
		1969-70	1970-71	1971-72	1972-73	1973-74
Undisbursed sanction at beginning of year (July 1)	..	465.51	806.40	645.69	521.65	605.55
Add, sanctions during the year	.. .. .	716.85	303.85	159.83	169.68	313.83*
Sub-Total	.. .. .	1182.36	1110.25	805.52	691.33	919.38*
Less Disbursements during the year	.. .. .	375.96	464.56	283.87	85.78	8.03*
Undisbursed sanctions at end of year (June 30)	.. .. .	806.40	645.69	521.65	605.55	911.35*

*As on October 31, 1973.

TABLE III
DISBURSEMENTS BY I.D.B.P. FOREIGN LOANS

							(Rs. in million)			
							1973-74			
							1972-73	1973-74		
							Actual	(Projected)	July—Oct.	Nov—June
									Actual	Estimated
1.	Second Swiss, State-cum-Bank Credit	..	..	..	..	12.94	6.00	—	
2.	French State-cum-Bank-Credit 1969-70	..	..	..	..	3.19	1.63	—	
3.	German Credit AL 363	..	..	..	..	0.18	2.63	—	} + 7.69
4.	German Credit Al 403	..	..	..	..	1.07	10.00	—	
5.	German Credit AL 529	..	..	..	..	1.97	19.64	—	
6.	IDA Credit No. 177 Pak	..	..	..	..	4.78	30.00	—	
7.	First ADB	..	..	..	..	0.44			
8.	Second ADB (Asian Dev. Bank)	..	..	..	..	4.93	90.00	2.52	23.40
9.	(a) Italian Credit	..	..	..	..	12.69	+15.00		
	(b) Italian Credit (for Hotels)	..	..	..	..		15.00	—	
10.	UK Suppliers Credit	..	..	..	..	1.17	+0.10	0.50	
11.	U.S.S.R.	..	..	..	..	0.06	—	—	
12.	8th Yen Credit	..	..	..	..	—	—	0.42	
Total						..	43.42	190.00	3.42	47.29

Source: I. D. B. P.

TABLE IV
B I M INVESTMENT

											(Rs. Crores)
A. Steel Industry											
Peoples Steel Mill	..	..	..	..	..	..	..	..	..	..	+15.00
Northern Foundry	..	..	..	..	..	..	..	..	..	..	+ 1.95
Electric Arc Furnaces	..	..	..	..	..	..	..	..	..	..	+ 1.70
Cycle Plant	..	..	..	..	..	..	..	..	..	..	4.0
Others	..	..	..	..	..	..	..	..	..	..	.20
										Total	19.25
B. Other Industry											
Fertilizer	..	..	..	..	..	..	..	..	..	..	2.58
Synthetic chemicals	..	..	..	..	..	..	..	..	..	..	.24
Kayon	..	..	..	..	..	..	..	..	..	..	.24
										Total	3.06
C. Automobile Industry											
Balancing ; Modernization and Replacement ..	..	..	..	..	..	..	..	..	..	..	5.20
Foundry Equipment	..	..	..	..	..	..	..	..	..	..	0.78
Other	..	..	..	..	..	..	..	..	..	..	4.60
										Total	10.58
										Grand Total (A+B+C)	32.89



CHAPTER 6

BALANCE OF PAYMENTS

The Balance of Payments for 1972-73 showed a considerable improvement over the previous year. Merchandise imports exceeded exports by only \$ 13 million, as compared with \$ 300 million in 1971-72. This change resulted mainly from the performance of the export sector, and owed much to the adoption of favourable commercial policies—including the exchange reform of May 1972—and higher external prices for Pakistan's major exportables.

The Balance of Payments strategy for 1973-74 is intended to consolidate and improve on the gains already obtained on the export side, and to liberalise imports so as to increase the supply of consumer goods and to improve capacity utilization in industry.

Exports

Merchandise exports reached a level of \$ 789 million * during the current year. This was 41 per cent above the exports of \$ 560 million during 1971-72. A larger quantity of exports and higher international prices both contributed to this increase. The growth of \$ 229 million can roughly be distributed into 30 per cent due to increase in prices and 70 per cent due to increase in the volume of exports.

Cotton was the only major item to register a decline during the year. Three main factors contributed to this fall. First, production did not attain even the previous year's level (of 39.79 lakh bales) and is estimated at 39.46 lakh bales. Second, domestic consumption was higher in 1972-73 than in the previous year. Third, the international prices at which most of the cotton during 1972-73 was contracted were below those obtained in 1971-72. This is rather surprising in view of the rise in world commodity prices, and may reflect a decrease in the quality of the cotton exported or it may result from an underinvoicing of exports. A comparison of unit prices of cotton is given below :

TABLE I

Unit Prices of Cotton

(\$ per ton)

		July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1971-72 ..	..	627	644	646	636	653	661	659	662	680	677	694	683
1972-73 ..	..	636	596	542	492	519	522	567	583	636	579	560	552

*Unless otherwise stated, all figures for exports and imports are on a receipts and payments basis.

Other major items, such as yarn, fabrics, and leather enjoyed higher international prices along with the increase in their exportable surpluses. The share of primary and manufactured items in the year's total exports is estimated at 35 and 65 per cent respectively. Table II below gives the actual and projected export earnings by major items for 1971-72, 1972-73 and 1973-74.

TABLE II

Merchandise Exports

(\$ million)

Item	1971-72	1972-73	1973-74 (Projected)	Percentage Change in 1973-74 over 1972-73
1	2	3	4	5
Raw Cotton	156	135	140	+3.7
Rice	31	95	218	+129.5
Fish and Fish Preparations	4	23	20	-13.0
Other Primary	79	23	57	+147.8
Total Primary ..	270	276	435	+57.6

1	2	3	4	5
Cotton Yarn	98	173	288	+66.15
Cotton Cloth	65	105	192	+82.10
Tanned Leather	29	52	40	-23.1
Carpets and Rugs	19	33	35	+6.1
Other Manufactures	79	150	110	-26.7
Total Manufactures ..	290	513	665	+29.6
TOTAL EXPORTS ..	560	789	1100	+39.4

Export Projections for 1973-74

Earnings from merchandise exports are projected at \$ 1,100 million (on a receipts basis) for 1973-74, giving a growth of about 39 per cent over 1972-73.

Marked increases have been projected in cotton, rice, yarn and cloth. Leather export is expected to decline because of two reasons. First, the present high international prices are not likely to continue during 1973-74. Second, the Government's policy is to encourage the export of finished leather, and discourage that of semi-finished leather.

The projections for 1973-74 show the effects of the losses caused by the floods. A loss of 6 lakh bales of cotton at current world prices reduced earnings by \$ 140 million. A sizeable quantity of rice was also lost in the floods. A slow growth in cement export was projected because of the increase in consumption of cement for reconstruction. The flood also affected the growth of exports by disrupting industrial production and dislocating the transportation network.

Export Duties

After the devaluation export duties on various commodities were imposed, keeping in view the effective exchange rates that had existed prior to the devaluation. These duties were designed to prevent a larger windfall increase in profits to exporters, to raise revenue, and to continue for certain manufactures the preferential treatment that had been afforded before devaluation through differential exchange rates.

These export duties have created differences in the rupee earnings of various items. Table III below gives effective exchange rates for a number of export items before and after the devaluation. Column (4) of the table gives effective exchange rates after the revaluation of the rupee in February 1973 from Rs. 11.00/US \$ to Rs. 9.90/\$. The last three columns give the average rates for 1971-72, 1972-73 and 1973-74.

In nominal terms, the devaluation of May 11, 1972 was of the order of 57 per cent*, which was reduced to 52 per cent after the later revaluation. In real terms, the effective devaluation was not so large. The combined effect of the change in the exchange rate and the imposition of export duties resulted in an effective devaluation of the rupee by about 21 per cent for merchandise exports i.e. from Rs. 7.43/\$ before devaluation to Rs. 9.43/\$ after devaluation. After the appreciation of the rupee in February 1973, the extent of the effective devaluation dropped to only about 7 per cent.

TABLE III
Effective Exchange Rates

Item	(Rs./\$)				
	July—April 1971-72	July 1972 Feb. 1973	March June 1973	1971-72	1972-73
1	2	3	4	5	6
A. Primary Items					
Raw Cotton	5.67	6.92	6.43	5.82	6.94
Rice (Basmati)	5.67	7.80	8.04	6.45	7.97
Rice (Coarse)	5.67	7.70	6.93	5.70	7.14
Raw Wool	5.67	7.98	7.87	6.48	7.93
Hides and Skins	5.67	6.60	5.94	5.72	6.27
Other Primary	7.89	11.00	9.90	8.28	10.51
Total Primary ..	6.10	8.39	7.49	6.22	7.92

* Defined on the difference between the new rate and the old, expressed as a percentage of the new rate.

	1	2	3	4	5	6
B. Manufactured Item						
Cotton Yarn		7.94	9.17	7.92	8.17	8.46
Cloth (Grey)		7.94	10.07	9.15	8.18	9.56
Cloth (Finished)		8.85	11.00	9.90	9.09	10.39
Leather (Semi-Finished)		7.94	7.70	6.93	8.68	7.32
Leather (Tanned)		7.94	9.90	8.91	8.71	9.41
Other Manufactures		8.80	11.00	9.90	8.98	10.42
TOTAL MANUFACTURES ..		8.38	9.89	8.61	8.60	9.19
Total Merchandise (weighted average) ..		7.43	9.43	8.00	7.44	8.67

Export Policy

As a sustained growth in exports can only be based on the growth of the economy, production activities as well as the infrastructure will have to be developed so as to cover both export requirements and rising domestic needs. New items will have to be added to the export list. Specific export plans are being drawn up to provide an institutional and incentive structure in which new items would get the greatest support. Market research will be intensified to explore new outlets, while other policies are being devised (i) to shift exports from primary to manufactured items by increased processing within the country, and (ii) to enable the diversion of such (previously) interwing exports as have not yet been fully diverted to the international market.

Imports

Merchandise imports in 1972-73 amounted to \$ 802 million or Rs. 840 crores. This was 28.7 per cent higher than the merchandise imports of \$ 623 million during 1971-72.

The pattern of imports changed in favour of consumer goods and raw material for consumer goods; these two heads in 1972-73 constituted about 60 per cent of total imports, compared with 47 per cent in the merchandise imports for 1971-72. The share of capital goods correspondingly declined, from 42.4 per cent in 1971-72 to 29.7 per cent in 1972-73. The table below compares merchandise imports for 1971-72 and 1972-73, by value and percentage, for four categories of goods :

- consumer goods,
- raw material for consumer goods,
- raw material for capital goods, and
- capital goods.

TABLE IV
Merchandise Imports, 1971-72 and 1972-73

	(Rs. Crores/ \$ million)				
	1971-72		1972-73		Percentage Change
	Value	Percent of Total	Value	Percent of Total	
	1	2	3	4	5
Total	349.5	100.0	840.0	100.0	+28
	(623)		(797)		
(i) Consumer Goods	79.5	22.7	248.5	29.3	+84
	(127)		(234)		
(ii) Raw Material for Consumer Goods	85.1	24.4	258.5	31.0	+57
	(157)		(247)		
(iii) Raw Material for capital goods	36.7	10.5	83.0	10.0	+18
	(57)		(79)		
(iv) Capital Goods	148.2	42.4	250.0	29.7	-13
	(272)		(237)		

Note :—This table is on a shipments basis.

A substantial increase—84 per cent—occurred in the imports of consumer goods, followed by a 57 per cent growth in imports of raw material for consumer goods. On the other hand, capital goods showed a decline of 13 per cent as compared with 1971-72.

The increase in consumer goods was mainly because of higher imports of wheat and sugar. The drop in the value of capital goods was caused by devaluation, which increased the domestic currency cost of these goods, and by the depressed investment climate and lower inflow of project assistance during the year.

Import Projections for 1973-74

Merchandise imports for 1973-74 have been worked out at \$ 1,450 million, reflecting an increase of 80 per cent over the level in 1972-73. The import of consumer goods and raw material for consumer goods would amount to \$ 945 million or 65 per cent of the total import requirements in 1973-74, while that of capital goods (including raw material for capital goods) will constitute 35 per cent of total imports. The projections of merchandise imports for 1973-74 and the estimated imports for 1972-73 by economic categories are shown in the table below :

TABLE V

Merchandise Imports, 1972-73 and 1973-74

	1972-73	1973-74	Per cent Change
Total	802	1450	+80
Consumer Goods	235	576	+145
Raw material for Consumer Goods	250	369	+48
Raw Material for Capital Goods	80	170	+113
Capital Goods	237	335	+41

The increase in the next year's level of imports by categories is predicted on the requirements of the development strategy to be followed, which emphasise agriculture and related industries and employment creating projects. To sustain the pace of agricultural modernization and make available agricultural consumer goods at low prices, liberal imports of fertilizer and tractors have been provided for. The provision for the import of raw material for capital goods and capital goods itself aims at expanding and utilizing the productive capacity of the country and thus increasing the availability of goods and commodities. The import projections for 1973-74 include an allowance to make up some of the losses caused by the floods. The loss of an estimated six lakh bales of cotton created an additional requirement of 30,000 tons of edible oil. The projections also include an allowance for the import of drugs and medicines, clothing and other requirements for the flood-hit areas.

The import policy for 1973-74 aims largely at augmenting the availability of all types of goods in the country. The free list has been expanded by an additional 26 items and the tied list by 13 items. The main objectives of the import policy are :

- (i) To increase the productive capacity of industries and to improve the quality of goods manufactured by allowing liberal imports of machinery and capital goods under the modernization, balancing and replacement schemes.
- (ii) To fully utilize the existing productive capacity by allowing liberal imports of raw materials and spare parts, and thus to increase the availability of commodities in the country.
- (iii) To boost exports by allowing liberal imports of machinery and raw materials for export-oriented industries.
- (iv) To provide a measure of competition to the domestic industry by allowing imports in limited quantities of certain goods which are also locally produced. The competition to be provided through imports would help in bringing down the prices of consumer goods and improving the quality.
- (v) To check the smuggling of certain essential consumer goods by allowing liberal imports of these goods through regular channels.
- (vi) To divert the pressure on foodgrains and textiles by allowing imports of durable consumer goods.

External Resources

The gross inflow of external resources during 1972-73 is estimated at \$ 345 million as against \$ 466 million provided for in the Annual Plan, giving a shortfall of about 26 per cent. Of the total inflow, about \$ 100 million was project and \$ 246 million non-project assistance. The main reason for the shortfall was the delay by the creditors in defreezing the aid pipeline ; as a result, project aid utilization fell short by nearly 40 per cent of the \$ 236 million that had originally been projected.

The gross aid inflow for 1973-74 is estimated at \$ 390 million, of which \$ 164 million will be in the form of project assistance and the balance of \$ 226 million as non-project assistance. The total aid inflow works out at 12.7 per cent more than the revised estimates of the assistance received in 1972-73. Of the project assistance, \$ 95 million will be utilised in the public and \$ 69 million in the private sector. The non-project assistance comprises \$ 182 million of nonfood aid and \$ 44 million of food aid.

An agreement on debt servicing was reached with the major creditors. Under the terms of this agreement, the arrangements for debt rescheduling that were due to expire at the end of June 1973 were extended for another twelve months. It was further agreed that arrangements for a long-term rescheduling of Pakistan's debt servicing would be finalised by June 1974, and the bifurcation of debt between Pakistan and Bangladesh would also be completed by that date.

The table below shows the details of the aid inflow :

TABLE VI
Inflow of Foreign resources, 1972-73 and 1973-74

	(\$ million)	
	1972-73 (Revised Estimates)	1973-74 (Estimates)
(i) Project Aid including Indus/Tarbela	100	164
(ii) Non-project Assistance	161	182
(iii) PL-480 and other Food Aid	85	44
Total	346	390

The following table shows a Summary Balance of Payments for 1972-73 and 1973-74.

TABLE VII
Summary Balance of Payments, 1972-73 and 1973-74

	(\$ million)	
	1972-73	1973-74
Receipts	1452	1842
Merchandise Exports	789	1100
Invisible Earnings	317	352
Foreign Assistance	346	390
Payments	1452	1842
Merchandise Imports	802	1450
Invisible Payments	337	367
Debt Servicing	187	190
Changes in Reserves*	+126	-165

*Plus denotes increase.

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CHAPTER 7

MONETARY AND CREDIT POLICY

Review of Development during 1972-73

The analysis of monetary developments in the recent past is complicated by the separation of the Eastern Wing of the country, the demonetisation measures and the devaluation of the Pakistan rupee in May, 1972. The Annual Plan for 1972-73, while taking note of these obvious facts and admitting that the liquidity in West Pakistan was inflated in both 1970-71 and 1971-72 mainly because of the large public sector spending during these years, recommended a very conservative and cautious approach in respect of monetary expansion during the year. It recommended that the net monetary expansion during the year should be kept at a minimum level in order to maintain the domestic price stability. In the public sector, it proposed deficit financing of only a marginal nature.

A. MONETARY ASSETS

2. Monetary assets during the year expanded sharply by Rs. 615.42 crore, as summarised in table I below. This exceptionally large increase was brought about by the sizeable recourse to deficit financing by the Government and unusually large surplus in the country's international account. The deficit in the financial transactions of the Government amounted to Rs. 236.60 crore (including Rs. 53.14 crore for commodity financing operations). The foreign sector exerted an expansionary influence of Rs. 235.42 crore. The domestic private sector was also expansionary by Rs. 160.64 crore during the year.

TABLE I

Causative Factors for the change in Monetary Assets, July, 1972 to June, 1973.

Expansion (+)											(Crore Rs.)	
Contraction (—)												
1. Private Sector	—	—	—	—	—	—	—	—	—	—	—	(+)
2. Government Sector	—	—	—	—	—	—	—	—	—	—	—	(+)
3. Foreign Sector	—	—	—	—	—	—	—	—	—	—	—	(+)
4. Miscellaneous Factors	—	—	—	—	—	—	—	—	—	—	—	(—)
												Total Causative Factors
												(+)

3. The expansionary influence of the private sector on monetary assets varied from quarter to quarter. During the first quarter, there was a contraction of about Rs. 16 crore. The second quarter witnessed a record expansion of about Rs. 170 crore, which was the combined result of seasonal financial requirements of major exports whose prices reached at a high level during the year, and the gradual recovery of the economic activities which was reflected in the increase in industrial production since November, 1972. The third quarter also experienced an expansion of Rs. 53 crore. During the last quarter there was a contraction of about Rs. 46 crore and it was due to the slack period in economic activity. The total expansionary influence of the private sector on monetary assets for the year as a whole was about Rs. 161 crore (see Appendix).

4. The expansionary influence emanating from the Government sector was about Rs. 237 crore, which was much larger than originally anticipated at the time of budget formulation. A number of factors worked during the year to bring about a large recourse to the use of bank credit by the public sector. There are :—

- (i) the debt servicing payments which were withheld since May, 1971 were resumed after interim debt relief arrangements were signed. These drawals on debt servicing are reflected in monetary statistics as an expansionary factor.
- (ii) The Government activities had to be expanded to offset the inadequate pace of the activities of the private sector. In fact the development expenditure during the year was higher by about Rs. 35 crore than the original provision made in the budget.
- (iii) Public sector needed additional credit for improving stocks and the availability of essential consumer goods which the Government undertook to provide to the common man at control prices. This increase was as high as Rs. 65 crore.

5. The Foreign sector exerted an exceptionally large expansionary influence of about Rs. 235 crore on monetary assets during the period under review. When the year began, the expectation was that there would be a balance of payments deficit despite the utilization of fresh aid, necessitating a draw-down of foreign exchange reserves of the country. Had this expectation been materialised and had there been an actual draw-down of foreign exchange reserves, the expansionary influences of the public and private sectors would have been substantially offset. However during the year, Pakistan's exports increased much faster than was projected at the time when the foreign exchange budget was formulated in July, 1972. The imports also materialised at a some what slower pace than was projected earlier.

6. The composition of monetary assets also underwent a notable change during the year. Component-wise break-up of monetary assets shows that bulk of increase in monetary assets occurred in deposit money which went up by about Rs. 400 crore. Currency in circulation increased by Rs. 215 crore or roughly 36% of the total increase in monetary assets. The ratio of currency in circulation to total monetary assets increased from 27.8% at the end of June, 1972 to 29.2% by the end of June, 1973. The detailed component-wise increase in monetary assets is given in Table II below :—

TABLE II

Causative Factors affecting changes in Monetary Assets

	(Crore Rupees)
	July, 1972 to June, 1973
	(Provisional)
Expansion (+)	
Contraction (—)	
1. Currency in circulation	(+ 215.77
2. Demand liabilities of scheduled banks (excluding inter-bank items)	(+ 197.07
3. Time liabilities of scheduled banks (excluding inter-bank items)	(+ 180.66
4. 'Other Deposits' with State Bank of Pakistan (excluding IMF A/c No. 1 Counterpart Funds Debt Service A/c and other loan accounts)	(—) 5.62
5. Deposits of non-scheduled and cooperative banks with State Bank of Pakistan	(+ 8.14
6. Post Office Saving Bank deposits	(+ 19.40
Total Change in Monetary Assets	(+ 615.52

B. CREDIT POLICY

7. No fresh quantitative credit control measures were introduced during 1972-73. The Bank rate and the liquidity ratio remained unchanged. However, the State Bank modified its selective credit controls with a view to regulating the availability of credit in response to the changing situation. The minimum margin restriction of 50% on advances against iron and steel which was imposed in June, 1972 was reduced to 25% in August, 1972 as the higher margin requirement was reportedly impeding fuller utilization of industrial capacity. As from 12th October, 1972 the ban on advances against superior varieties of rice to wholesale dealers was withdrawn to remove the difficulties faced by traders. However, in order to avert hoarding by traders a margin requirement of 50% was imposed on advances against superior varieties of rice. The minimum margin requirement on advances against coarse rice was reduced from 50% to 25%. Advances to mills which were previously exempted from margin requirement were also made subject to the 25% margin restriction. In all cases, the maximum period for which advances against rice and paddy could be allowed to remain outstanding was restricted to three months. In the case of advances to traders against oilseeds and edible oil the margin requirement was raised from 25% to 50% in January, 1973. In February, 1973 a ban was imposed on bank advances against edible oil. However, the vanaspati mills, the Pakistan Vanaspati Manufacturers' Association and West Pakistan Edible Oil Refiners Group were exempted from the ban. In March, 1973, banks were prohibited from making any advances against cotton-seed either against fresh limits or any unutilized limits. Vanaspati mills were, however, exempted from this restriction.

8. The Banking Reforms announced by the Government in May, 1972 aimed primarily at reorienting the credit policy of banks in favour of wider dispersal of bank credit both in respect of size of accounts and sectors. The efforts to place adequate credit at the disposal of small borrowers were intensified by the present Government which is committed to establish an egalitarian society. As provided for in the Reforms, a National Credit Consultative Council was set up during the year which, among other things, is charged with the responsibility of laying down specific targets for banks for provision of credit to the hitherto neglected areas of agriculture, small business and industry and housing. In its first meeting held in December, 1972, the Council approved a credit plan for 1972-73 envisaging an increase of Rs. 160 crore in bank credit to be provided by commercial banks to the private sector which was to be distributed among various sectors as follows :—

	(Crore Rs.)
1. Manufacturing	84
2. Agriculture	16
3. Housing	9
4. Mining & Quarrying	5
5. Transport & Communications	10
6. Commerce & others	36
	160

9. The available data shows that the total credit expansion in the private sector during 1972-73 was about Rs. 161 crore which was almost equal to the credit plan approved by the National Credit Consultative Council.

10. The State Bank maintained an aggregate mandatory target of Rs. 43.6 crore for net increase in small loans by commercial banks *i.e.* Rs. 26.6 crore for loans for business and industry, a sub-target of Rs. 8 crore for agricultural production and another sub-target of Rs. 9 crore for financing of low cost housing. Rs. 2 crore for the purchase of tractors was added as another mandatory target thus increasing the limit to Rs. 45.6 crore.

11. The performance of the mandatory credit targets during the 1972-73, the outstanding level of small loans provided by commercial banks increased to Rs. 54.94 crore exceeding the earlier target of Rs. 43.6 crore by about 26%. The most pronounced increase in small loans was for business and industry. There was a slow progress in the field of agriculture production and low cost housing. The target of Rs. 2 crore for the purchase of tractors etc. was not realised. There were two reasons for the slow progress in increasing the credit flow in agriculture and small housing sectors ; firstly, it was the first time that the commercial banks were required to embark to finance agriculture activity which was a new area for the banks and secondly, the farmers even failed to come up with proper personal identification such as having a pass-book.

12. The Government also set up a People's Finance Corporation with an initial paid-up capital of Rs. 5 crore. It would sanction loans or advance cash credit either directly or through commercial banks or in association with them to the extent of Rs. 50,000 per party. The Corporation has also been empowered to guarantee the small loans and cash credit granted by scheduled banks. The association of the Corporation with commercial banks would spread the credit risk which is usually higher in accommodating small parties. The Equity Participation Fund which had become moribund, was also re-activated and its head office established at Karachi.

Projections of Monetary expansion during 1973-74

13. The expansion of money supply in line with the growth of economy is essential to facilitate the continuous growth and expansion of economic activities. However, the projection of safe limits for such an expansion presents a very difficult problem since it involves a number of uncertain elements, the behaviour of which cannot be forecasted. The elements of monetary expansion as well as the distribution of sources from which the expansion is to emanate has, therefore, to be interpreted flexibly.

14. In the past, different methodologies have been adopted to determine the safe limit of monetary expansion. Initially, it was determined with reference to the growth target in yearly output plus 2% to allow for progressive monetisation of the economy. Subsequently, when the scope of expansion was extended to monetary assets, an annual increase of 2.5% above the growth in GNP was considered valid formula. For the Fourth Five-Year Plan, the safe limit of monetary expansion was determined by applying some of the changes in marketable surplus of agricultural crops, growth in other sectors of the economy and likely availability of foreign assistance. The existing ratio of monetary assets to the flow of resources in the monetised sector so determined was then used to determine the safe limit of monetary expansion.

15. The monetary assets in June, 1973 were estimated at about Rs. 2661 crore in West Pakistan. The national income was projected to increase by 8% during the year 1973-74. There was a strong likelihood that foreign assistance flows would be higher than last year. The total resources in the monetised sector including net inflow of foreign assistance were therefore, likely to be slightly higher than the growth in GNP. On this basis, an expansion of around Rs. 220 crore in monetary assets was considered safe.

16. It has been already explained earlier while reviewing for the current financial year that the monetary expansion of Rs. 615 crore was abnormal. It was therefore, considered that it would be prudent to follow a conservative and cautious monetary policy in view of the need to allow the absorption of the preceding year's increase in monetary assets. The net monetary expansion, therefore, during the year is being kept around Rs. 150-160 crore, which is even lower than the projected growth of GNP.

17. The foreign exchange reserves during 1972-73 increased substantially resulting in foreign sector exerting significant expansionary influence. The imports accordingly, have been liberalized. It was considered that a draw down of reserves will help to counteract monetary expansion.

18. It is rather difficult to precisely divide the proposed credit expansion between public and private sectors. In view of the Government concern for price stability, every effort is to be made to keep the budgetary gap during the year as small as possible.

Post-Flood Developments

19. The economic situation has drastically changed since June this year. In order to curb the inflationary pressures in the economy, the State Bank of Pakistan introduced a number of quantitative and qualitative credit controls measures. With effect from 16th August, 1973 the bank rate was raised from 6 to 8%. Simultaneously the ceiling on advance rates was raised from 10 to 11% in the case of advances by bigger banks and from 11 to 12% in the case of smaller banks, while the minimum rates of interest on various types of deposits were increased in the range of 1-2 per cent. The rise in the bank rate was supplemented with the increase in the statutory liquidity ratio from 30% to 35% in order to reduce the credit creating capacity of banks.

20. Besides introducing the quantitative measures, the State Bank also tightened its selective credit controls. Advances against grams, other grains and pulses, Kariana and spices and onions and potatoes were completely banned with effect from 5th September, 1973. Advances against rice and paddy to dealers were also banned while those to mills against both coarse and superior varieties of rice were subjected to a uniform margin requirement of 50% as compared to the 25% margin requirement in the case of coarse varieties of rice and 50% in the case of superior varieties which were in force earlier. Advances against oilseeds, other than cotton seed, were subjected to a minimum margin requirement of 75% while advances against cotton seed, except those to vanaspati mills, remained banned. Advances against cotton textiles (indigenous) were also subjected to a minimum margin requirement of 25%.

21. The recent floods have created an entirely new situation and the most urgent need of the economy at the moment is to rehabilitate the agricultural sector which has been badly affected by floods. Efforts therefore, would have to be made to step up substantially the availability of credit to this sector. The National Credit Consultative Council in its meeting held recently has approved a credit target of Rs. 100 crore for this sector as against the actual agricultural advances of Rs. 38.62 crore during 1972-73. Of this amount a sum of Rs. 25 crore is to be provided by the commercial banks.

22. In addition to above, there is a need for more credit to rehabilitate small businessmen and farmers affected by the flood as also to reconstruct the dwellings in both urban and rural areas. The mandatory targets for commercial banks including small loan for agricultural production have, therefore, been fixed at Rs. 98 crore. The overall credit ceiling in the private sector has, however, been fixed at Rs. 186 crore by the Council as against an expansion of Rs. 161 crore during 1972-73. The proposed mandatory target would help to bring about substantial improvement in credit availability to people of small means and to reduce concentration of credit in large loan amounts.

23. As has already been stated, there was abnormal monetary expansion in the public sector last year. It should, therefore, remain a major policy objective of the Government to keep the monetary expansion in the public sector under check under all circumstances. To meet the unforeseen shortfall in resources due to floods, additional taxation has been already levied which during the course of year is likely to yield over Rs. 80 crore. The expenditure on rehabilitation and reconstruction is being met partly by adjustments within the ADP. It is hoped that with these measures, the budgetary deficit during the year would not be more than the level envisaged in the original budget. The major expansionary force in the public sector, however, would be the credit requirement for state trading operations of the Government where also the additional requirements during the year would be lower than last year.

CAUSATIVE ANALYSIS OF MONETARY EXPANSION

(Crore Rupees)

Months Last Friday						Private Sector	Government Sector	Foreign Sector	Other Factors	Total Causative
July, 1972	--	--	--	--	--	0.51	23.35	40.39	16.08	17.15
August, 1972	--	--	--	--	--	-6.95	13.31	-25.76	13.61	-5.79
September, 1972	--	--	--	--	--	-8.32	7.48	0.86	3.56	1.86
1st Quarter	--	--	--	--	--	-15.78	44.14	-16.23	1.09	13.22
October, 1972	--	--	--	--	--	5.41	19.87	23.74	-19.37	29.65
November, 1972	--	--	--	--	--	46.50	17.43	-0.50	11.65	75.08
December, 1972	--	--	--	--	--	117.88	38.92	-21.18	48.38	184.00
2nd Quarter	--	--	--	--	--	169.79	76.22	2.06	40.66	288.73
January, 1973	--	--	--	--	--	45.01	22.34	17.47	-20.55	64.27
February, 1973	--	--	--	--	--	-3.09	-29.87	22.70	-4.74	-15.00
March, 1973	--	--	--	--	--	41.12	-9.57	43.28	-11.05	33.78
3rd Quarter	--	--	--	--	--	53.04	-17.10	83.45	-36.34	83.05
April, 1973	--	--	--	--	--	-9.93	51.01	38.57	-15.60	64.05
May, 1973 (P)	--	--	--	--	--	-38.37	-5.50	67.68	-0.48	23.33
June, 1973 (P)	--	--	--	--	--	1.89	87.85	59.89	-6.57	143.04
4th Quarter	--	--	--	--	--	-46.41	133.34	166.14	-22.65	230.42
Annual Total	--	--	--	--	--	160.64	236.60	235.42	-17.24	615.42

(P) Provisional.

Source : State Bank of Pakistan.

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CHAPTER 8

CONSUMPTION PLANNING

Introduction

Consumption planning in Pakistan is of recent origin beginning for all practical purposes with the Annual Plan for 1972-73. It is to be expected, therefore, that both the scope of consumption planning and the approach to the problem will remain inadequate until such time that necessary information and expertise is developed. At this stage a survey of the inadequacies which will pinpoint research needs is as important as it is to prepare consumption plans on the basis of imperfect tools and limited information. Three of the main inadequacies relate to the coverage of commodities, insufficient attention on distributional factors and neglect of nutritional considerations. This is elaborated in the following paragraphs.

2. The Annual Plan for 1972-73 restricted its consumption planning exercise to a commodity bundle which excluded many important consumer goods and included some that were relatively inconsequential. The eight commodities covered consisted of such important items in the diet as wheat, vegetable ghee and sugar and such important necessities as cloth and kerosene; also covered were tea, matches and soap which carried lesser justification especially in view of the fact that much more important items were excluded—pulses, milk, vegetables and eggs to name a few. The inclusion of tea and matches reflected the concern about the effects of suspended interwing trade on their availability. The import policy has successfully averted this threat and by now there seems to be no reason to worry about their availability and prices. Therefore, tea and matches have been omitted from this year's Annual Plan. Soap has also been excluded both because its supply and price has not posed a major problem and because the government is unlikely to interfere with its production and distribution.

3. It should be noted that the items excluded are those where supply and prices have been reasonably stable during the last year. These commodities pose little challenge beyond the simple expedient of import programming. There is a pressing need, on the other hand, to incorporate a number of food items whose prices have risen during the past year, whose management is complex and whose nutritional value is important, unfortunately, for a large number of such foods the information is totally inadequate to admit of consumption planning. Meat, milk, eggs and vegetables fall in this category. Immediate steps are necessary to improve our knowledge about production and distribution of these items so that they may be brought into the fold of consumption planning. Meanwhile, policy improvisations such as production incentives, restriction on exports, liberalization of imports and persuasion of producers and traders to restrain price increases will have to be used as regulatory measures.

4. Two new items, rice and pulses, have been introduced into the consumption plan for 1973-74. Both commodities are widely consumed and their high prices during the year have been a source of concern. The data on pulses is not up to data but in view of its importance in the diet of the poor it was considered advisable to initiate consumption planning for it. Thus seven items are covered in this year's Consumption Plan. There are five food items : wheat, rice, pulses, vegetable ghee and sugar ; and in addition, cloth and kerosene. The seven items included account for roughly 32 per cent of household consumption expenditure of the income group ranging between Rs. 250—300.

5. A consumption plan must not only aim at making enough supplies available to fulfil average needs but it should endeavour to attain a proper distribution of consumption. It is the poor whose needs must be especially met. For this it is essential to increase income and employment of the poorest segments and to make essentials available at reasonable prices either in the open market or through controlled distribution. The Annual Plan for 1972-73 did discuss the distribution system for sugar and wheat at some length but in general, and this was its second deficiency, it dealt with average availability and ignored distributional aspects. While introducing the chapter on consumption planning the Annual Plan document remarked "The Annual Consumption Plan is essentially a broad framework through which Government policy to maintain adequate availability of essential consumer goods at reasonable prices is to be implemented. The plan would have to remain flexible and reviewed throughout the year in the light of actual development. The changes in supply and demand would be accommodated while the objectives of price stability would remain paramount. The present projections are on the basis of advance indications regarding various magnitudes which are liable to change in the course of the year".

6. It was the price situation more than availabilities which dominated the scene during the year. By and large availability of essential items registered improvement in 1972-73 but this was accompanied by rising prices. Thus while average standards were raised there was a distributional problem. Since employment and money income rose in response to revived economic activity those who suffered deprivation relative to the previous year were mostly the fixed income groups. Although these groups are not a majority nor always from the poorest sections of the population, they are significant enough in number and often so poor that their well-being is of importance in the government's objective. Thus, throughout the year the government was pressed into policy measures, persuasion and even cajoling of traders and producers to keep prices from soaring. While these attempts eased the situation somewhat, prices rose appreciably during the year.

7. Uncertainty cannot become insignificant no matter how well we plan. Consequently, flexibility in annual consumption planning has to be accepted and reliance must be placed upon government policies framed in response to actual developments during the year. But this should not blind us to the necessity of planning in advance for contingencies that may emerge after the plan has been formulated. In particular, it is desirable to formulate limits of government tolerance to averse price or availability movements and to predetermine the kind of actions and interference that should follow the degree of a crisis. The advance formulation of these rules will not only make for consistent action but save on a lot of frenzied energy spent on temporizing or making hasty decisions.

8. The third drawback of the pioneer attempt at consumption planning was that it was not designed in reference to a longer term ideal. What was planned was an increase in the availabilities of selected commodities; what was lacking was an overt attempt at a nutrition plan. This is an unsatisfactory state of affairs which, it is unfortunate, will largely continue for at least another year. It is unfortunate because an underdeveloped country in its search for improvements in the quality of life must strive foremost for a healthy, well-nourished population; and because the poorer a country, the less can it afford the waste of an inefficient, unscientific approach to this or any other problem. To formulate a scientific approach it is necessary to improve, collect and coordinate information on:

- (i) the diet of various categories of the population and from this information assess the pattern of the nutrition gap;
- (ii) the rigidity of dietary habits and tastes; and of social customs which determine the distribution of food within a household; and
- (iii) the availability, the economics and the acceptability of the solutions.

9. Our information on these aspects is incomplete but not non-existent. Household expenditure surveys conducted by the Statistical Division, a nutrition survey conducted in 1965 and stray pilot surveys have led to accumulation of information which, however, insufficient for framing an optimal nutrition programme, does at least enable identification of the main ingredients of a nutrition programme. The information, for instance, clearly indicates that the diet is deficient in total calorie intake as well as in proteins, minerals and vitamins. Providing the population with a greater abundance of what they eat, literally 'dal' and 'roti', will be of the utmost emphasis in any short to medium term nutrition programme. This diet will provide considerable proteins (and vitamins if enriched flour is popularized); the more important aspect, which needs to be emphasised is that unless the calorie deficiency is removed much of the benefits of expensive protein rich food will be lost as proteins will be converted into energy. The foremost aim of nutrition planning in near future should be removal of calorie deficiency and for this availability of the staple diet will have to be accorded first priority. Thus, the type of consumption planning which was done last year, and which is largely being repeated this year does incorporate the main thrust of a nutrition programme. However there is a need in estimating consumption requirements to step beyond the confines of income elasticities or moderate improvement over the previous years. A more ambitious approach is called for if nutritional sufficiency is to be achieved swiftly.

10. Providing people more of what they eat is a necessary step in the general solution of the nutrition problem. But it would be undesirable to let matters rest there and leave specific problems for another day. First, the advance in food fortification technology could be gainfully employed to mitigate deficiencies in protein, vitamins and minerals. For instance, the enrichment of flour with vitamins A and B and iron (later perhaps with lysine as well), of tea with vitamin A and of salt with iodine offers the opportunity of vast coverage of the population at low to moderate cost. Of course, in the short run care has to be taken that the enriched product does not run foul of tastes. Research on these programmes is underway in Pakistan and it should be possible to implement them during the year on an experimental basis.

11. Second, certain groups are relatively worse off than others. For example existing data indicates that persons in urban areas are significantly under-nourished in comparison with those in rural areas. This feature justifies the confinement of rationing to the urban areas. The production of more wheat, pulses and other foods as well as programmes for enrichment of food will also contribute greatly to removing the deficiencies in the urban diet.

12. It is more difficult to tackle the other major target group which suffers from severe under-nourishment. This is the group of pregnant and lactating mothers and pre-school children. The need for a balanced diet is exceedingly important in their case. Pregnant and lactating mothers need richer diet to replenish the urban out flow to the unborn child and the breast-fed infant. Similarly, the development of the child in his early formative years may be permanently impaired for lack of special nutrients. A variety of measures will be necessary to tackle this problem and it is not possible to obtain major gains in the short-run without an ambitious effort. Maternity health centres will be necessary to provide advice on the proper diet of both the mothers and the young children and even to supply vitamins and minerals in necessary cases. It will be advisable to combine family planning counsel with the other services provided by the maternity health centre to inculcate the beneficial effects of spacing children on the health of the mother and development of the child. It will also require education of heads of households on these matters either through these very centres or through other media so that a better distribution of consumption may be attained within the household and spacing of children may be popularized. It is clear that extending these measures to the country as a whole will require major efforts with large financial and administrative costs.

13. Another important aspect of the problem is related to the fact that low calorie intake in the population is aggravated by malabsorption of food owing to the prevalence of diarrhoea, dysentery and other intestinal diseases. This requires provision of both education and public health facilities to the population. Programmes of this nature are already included in projects of the housing and health sectors. What is required is an acceleration of these programmes although once again coverage of the entire population is likely to be very costly.

14. It will be clear that a consolidated approach to nutritional planning will call for synchronization of the programmes in the agriculture, housing and health sectors as well as the actions taken to distribute food to the needy, to enrich commonly consumed food and raise incomes of the impoverished. Development of an integrated approach will necessarily take time but the process would and should be hastened by entrusting the task to one agency. The Planning Commission has set up a nutrition syndicate in which concerned sections are represented. It is recommended that other concerned Ministries follow suit or that a Division may be created for this task.

Review of 1972-73 and Out-look for 1973-74

15. Prices of many consumer goods rose sharply during the year. The consumer price index for the urban poor rose by 15 to 27% in different cities. While the increase in prices was accompanied by a parallel increase in money incomes of many households, this was not true of the fixed income groups. Their ability to maintain standards of consumption, let alone improve them, was severely constrained by this development. During the year, therefore, the major concern of the government in this sphere was to restrain inflation in which connection the government took a number of measures with varying degrees of success.

16. The price of wheat atta sold through ration shops was unchanged and even the open market prices were not higher than last year. Temporary and local shortages did occur in the availability of vegetable ghee but by and large the prices of this items were also fairly stable and availabilities adequate. The availability and price of tea, kerosene, and matches were maintained at reasonable levels through liberal imports.

17. The substantial decrease in the production of sugar during 1971-72 had created a condition of acute scarcity during the early part of 1972-73. Large imports of sugar were made to ease this shortage but the sugar prices continued to remain high. The government decided to go in for complete rationing of sugar in order to achieve its equitable distribution. The production during 1972-73 showed some improvement over the previous year but it was still considerably below the outputs of 1969-70 and 1970-71, which has made the continuance of rationing necessary.

18. The one item in which there was a decline in availability matched by a sharp increase in price, was cotton cloth for which large exports and high international prices of cotton and its products was responsible. In order to make cloth available at reasonable prices, the government introduced a scheme of fair price shops through which coarse cloth would be made available to the consumer at prices substantially below that in the open market. The scheme, however, was commenced towards the close of the year and thus had a limited impact.

19. While most of the items covered in the consumption plan were protected from the inflationary situation which developed during the year, this was not true about many important consumer goods which were not covered in the consumption plan. Prices of pulses, vegetables, rice, milk, eggs, meat and poultry rose appreciably.

20. It should be mentioned that the government took major decisions which would effect the availability of essential items in 1973-74 and beyond. It raised the procurement prices of wheat from Rs. 17 per

maund to Rs. 22.50 per maund Procurement prices of sugarcane were also increased substantially in all provinces. The export duty on raw cotton and cotton yarn were increased in the budget for 1973-74 in order to increase the availabilities and lower prices within the country. Finally, the programmes for fertilizer and other inputs were substantially expanded in order to increase agricultural production. These policies will have their impact during the coming year and more so in subsequent years.

21. The *per capita* availability of the selected items of consumption is given in Table 1.

TABLE 1
Per Capita Availability

Item	Unit	1970-71 (Actual)	1971-72 (Actual)	1972-73 (Estimated)	1973-74 (Target)
1. Wheat	(Ozs. per day)	10.50	10.11	11.39	11.39
2. Rice	Do.	2.37	2.82	2.41	2.50
3. Pulses :					
(i) Gram	(Lbs. per annum)	13.69	13.17	13.41	14.12
(ii) Other pulses	Do.	2.35	2.55	2.16	2.24
4. Sugar :					
(a) Refined	(Lbs per annum)	19.00	18.60	18.80	18.40
(b) Raw	Do.	56.40	54.40	50.00	53.90
5. Vegetable Ghee	Do.	6.34	6.73	7.24	8.38
6. Cloth	(Yds. per annum)	15.80	10.20	8.60	11.0
7. Kerosene oil :—Overall targets are given in the text.					

22. It should be made clear that the *per capita* availability of the selected items as shown in the table does not represent the actual consumption level of these commodities. Availability is defined here as what is left within the country in the private sector after accounting for production, trade and government stocks. Information is not available and adjustments have not been made for private stocks. Thus, consumption may exceed availability if stocks at the beginning of the year are consumed faster than they are replenished and *vice-versa*. One can argue that the stocks kept with the private trade/growers will more or less balance off on yearly basis and hence the overall availability position of a given commodity will not be affected substantially on this account. This may be true for normal years and for commodities which are not cash earning sources for the growers but the stocks of cash crops with the growers do tend to change substantially from year to year depending upon the future prices of the commodities. The increase in the stocks of inter-wing exports after the suspension of that trade is especially relevant as it over-states consumption of the affected items (rice and cloth in particular) in 1971-72.

23. It was stated in the introduction that if nutritional sufficiency is to be achieved in a short period, it will be necessary to go beyond the small gains implicit in using an income elasticity approach to consumption planning. However, the desire to improve food consumption at a rapid rate is severely constrained this year by acute scarcity and high international prices of such essential foods and key raw materials in agriculture as wheat, edible oils and fertilisers. For a number of commodities, therefore, the income elasticity approach has been used in this year's Annual Plan also in order to plan for an increase in essential consumer items which is sufficiently large to satisfy the increase in demand without putting a strain on prices. This modest approach at least has the advantage that it takes into account the effect of rising prices on consumption standards of the poor.

Wheat

24. The *per capita* availability of wheat during 1972-73 has been estimated at 11.4 ozs. per day as against the target of 10.5 ozs. per day fixed at the beginning of the year. This is explained by additional availability from local production and comparatively less stocks available at the end of the year (131,000 tons) than projected at the beginning of the year (400,000 tons)—Appendix I.

25. However, as the procurement price of wheat for wheat crop of 1973 was raised from Rs. 20.00 to Rs. 22.50 per maund, it has been reported that a substantial quantity of wheat from last year's crop was offered to the government for procurement during the current year. If an estimated 2 lakh tons of wheat are excluded from the total availability of wheat in 1972-73, the *per capita* availability of wheat during the year will be reduced to 11.1 ozs. per day.

26. Taking an income elasticity of demand of 0.27 and the GNP growth rate of 5 per cent, the *per capita* requirements during 1973-74 work out to 11.3 ounces per day based upon the 1972-73 benchmark of 11.2 ounces per day. As opposed to this a *per capita* availability of 11.5 ounces per day (including surplus private stocks from 1972-73) has been provided to allow for an improvement in income distribution.

27. In order to meet this target 13 lakh tons of wheat will have to be imported during the current year. To the extent that imports do not materialise demand for wheat will have to be restricted by increasing the sale price of wheat or some rice exports sacrificed to substitute for the shortage of wheat. The government have enhanced the sale price of flour from Rs. 18.50 to 22.50 per maund in August 1973 in order to discourage the wasteful consumption of wheat. It may, therefore, be possible to manage with lower wheat imports.

Rice

28. For the first time this year rice is being included in the Consumption Plan due to its significance as the next staple diet to wheat and the sharp rise in the price of wheat in the world market. The consumption of rice over the past years has been over 2 ozs. per head per day. However, during 1971-72, the *per capita* availability was 2.82 ozs. per day, which was about 19 per cent above the level during 1970-71. This abrupt increase should be attributed to a stock build-up (following a sudden stoppage of shipment of coarse rice to East Pakistan) rather than to larger consumption. The *per capita* availability during 1972-73 is estimated at 2.41 ozs. per day, which is in line with the consumption level during 1970-71.

29. The requirements of rice for 1973-74 have been projected at 17 lakh tons. Since local production of rice is projected at 26 lakh tons, Pakistan could export over 6 lakh tons of rice during the year (details at Appendix II).

30. It may, however, be pointed out that in view of overall shortage of wheat in the world market the country may have to switch over from wheat consumption to rice if the programmed imports of wheat do not materialise. In that case the exports of rice during the year would be considerably lower than projected.

Pulses

31. Pulses are also being included for the first time in the Consumption Plan due to their importance as a rich and major source of protein for the common man. In addition to gram, the other important pulses are mash, moong and masoor. The *per capita* availability of gram has actually declined from 13.7 lbs. per annum in 1970-71 to about 13.4 lbs. per annum during 1972-73. Similarly, the *per capita* consumption of other pulses has declined from 2.4 lbs. per annum during 1970-71 to 2.2 lbs. per annum during 1972-73. But unlike gram not only *per capita* availability but absolute production of these pulses has also declined over the years (details at Appendix III). The prices of pulses rose steeply during the latter half of last year, reflecting the growing gap in the demand and supply of pulses.

32. Increased availability of pulses will have to come from larger domestic production because there is a very limited surplus to tap from world markets and that too at very high prices. It is unfortunate, therefore, that the cultivation of pulses have so far been neglected by the farmers due to comparative disadvantage of growing pulses as compared to other crops and practically no effort has been made to improve the varieties of pulses available for cultivation. The existing varieties are low yielding and susceptible to insects and diseases. The Ministry of Agriculture and Agriculture Departments of the Provinces should therefore, focus their attention on the improvement of varieties of pulses both to raise yields as well as resistance to pests and disease attack. They should also try to introduce new pulses like soya-bean in the country.

33. These measures will take time. For 1973-74, a marginal improvement is projected to reflect farmer's response to higher prices and the effect of good rains on the barani area crops.

Sugar

34. Another departure from last year's Annual Plan is the inclusion of raw sugar as well as refined sugar. This has been done to focus upon the complete picture of this source of energy.

35. During the first half of 1972-73, the refined sugar market was under a two-tier price system ; the ration depots and the free market. A serious crisis in the supply of refined sugar which developed because of a poor sugarcane crop for the second consecutive year, ultimately led to complete rationing of sugar in the country December, 1972. The ration depot price of sugar was also raised from Rs. 1.60 to Rs. 2.50 per seer and after the floods to Rs. 3.00 per seer to bring it in line with the cost of production of sugar in the country. Despite substantial imports, the *per capita* availability for 1972-73 is estimated at less than 19 lbs. per annum as against a target of about 23 lbs. Refined sugar is still under complete rationing.

36. The sugarcane crop in 1973-74 has been substantially larger than in 1972-73. However, sugarcane supply to the mills have not been satisfactory partly because of high gur prices. It is estimated that production of refined sugar during the year would be 5.5 lakh tons which would imply a small reduction in *per capita* availabilities compared with last year. This would neither enable decontrolling sugar distribution nor an increase in sugar quotas. The production of gur and other non-refined varieties of sugar would, however, show a considerable increase over last year which should provide some relief to consumers especially in the rural areas.

Vegetable Ghee

37. The availability and prices of vegetable ghee were being maintained by the government through a gentlemen's agreement with the vanaspati manufacturers for the last 3 years. Supply and prices remained satisfactory during most of the year. Towards the beginning of 1973 due to a substantial increase in the prices of both domestic edible oil as well as imported edible oil, the government has to ensure the availability of imported edible oil to the vanaspati industry at Rs. 121/125 per maund to hold the prices of vegetable ghee at last year's level.

38. In August 1973 the government allowed a 26 per cent increase in the price of vegetable ghee to encourage larger production and smooth and adequate supplies. However, scarcities continued to be severe and the government nationalized production and distribution of vegetable ghee in September, 1973.

39. During 1973-74, the production of vanaspati is expected to increase to a level of 2.5 lakh tons as against 2.1 lakh tons during the preceding year. For a production of 2.5 lakh tons of vanaspati the edible oil requirements of the industry are projected at 2.6 lakh tons. The requirements of other users and for direct consumption are projected at 1.1 lakh tons. Keeping a margin of 31,000 tons as closing stocks the total requirements of edible oil for the year are projected at 4.1 lakh tons. The domestic availability is projected at about 2.6 lakh tons leaving an import gap of 1.5 lakh tons (details at Appendix V).

40. In case the import of 1.5 lakh tons of edible oil is arranged, the *per capita* availability of vegetable ghee during 1973-74 would be 8.38 lbs. per annum as against 7.24 lbs. per annum last year (an increase of 15.7 per cent). It may, however, be pointed out that uptill Oct., 1973 arrangements have been made only for imports of 8,500 tons of edible oil. Moreover, due to a general shortage of edible oil in the world market and especially in the United States from where the country procures most of its supplies of edible oil under PL-480, the import plan may not materialise in full. Under such circumstances the *per capita* availability of vanaspati could be well below the projected level.

Cotton Cloth

41. The *per capita* availability of cotton cloth during 1972-73 was only 8.6 yards per annum as against the target of 14 yards and an availability of 10.2 yards in 1971-72. This poor performance is largely explained by the large exports of cotton yarn and cotton cloth. The attractive prices of raw cotton and cotton manufactures in the international market coupled with devaluation of Pakistani currency provided a strong incentive for the traders to divert sale of substantial quantities from domestic to international market and to charge higher prices. This created a heavy pressure on the supply as well as prices of cotton cloth in the country.

42. Taking the average availability during 1970 to 1973 as benchmark and an income elasticity of 0.8, the requirement for 1973-74 work out at 12 yards *per capita* compared with an availability of 8.6 yards in 1972-73. In view of the shortfall in the cotton crop, the target has been fixed at 11 yds. *per capita* which would allow an increase of 27 per cent in *per capita* availabilities over 1972-73 (details at Appendix VI).

43. It may be pointed out that last year the government reached an agreement with the manufacturers of textiles to open 750 shops to sell "Utility Cloth" at the prescribed prices. These shops will supply upto 10 million yards of Utility Cloth per month at prices considerably below than those in the open market (Utility Cloth prices have been fixed at Rs. 1.80 per yard for grey cloth, Rs. 2.00 per yard for bleached cloth and Rs. 2.25 per yard for dyed cloth). The Utility Cloth Scheme has already started functioning and it is hoped that this will alleviate the problems of the poorer sections to a great extent.

Kerosene Oil

44. For the year 1972-73, it was estimated that the local production of kerosene from imported and indigenous crude oil would amount to 3.86 lakh tons, while the consumption was projected at 4.85 lakh tons, thus leaving a gap of about 1 lakh tons to be met from imports. Actual production during the year has been approximately estimated at 4 lakh tons while the actual consumption stands at 4.25 lakh tons. The net gap of 25,000 tons has been met partially by changes in stocks (which declined from 6,000 tons to 2,440 tons at the end of the year) and partially by imports.

45. As compared to the projections, the actual availability of kerosene during 1972-73 is lesser by 12.3%. This reflects insufficient demand rather than supply bottlenecks because price and availabilities were not a problem. The causes for the insufficient demand are not difficult to identify. The rapid electrification of rural areas may be one factor. The more significant is the extensive domestic use of Sui Gas in the metropolitan cities as well as big towns. This is demonstrated by the fact that the number of gas consumers has increased to 1,20,700 on 30th June, 1973 as compared to 94,686 on 30th June, 1972 registering a net addition of 26,014 consumers during the year.

46. The production target for 1973-74 has been fixed at 4.18 lakh tons, showing an increase of 5.1% over the previous year. Keeping in view the increasing use of electricity and gas for domestic purposes, the projections provide for an increase in demand from 4.25 to 4.54 lakh tons. This leaves an import gap of only 38,000 tons. The comparative analysis for the two years is given below :

TABLE 2

Kerosene

										('000' tons)	
										1972-73 (Estimated)	1973-74 (Target)
1. Opening stocks	..	..	..	..	..	..	..	..	..	6.00	2.44
2. Production	..	..	..	..	..	..	..	..	..	397.20	417.80
3. Imports	..	..	..	..	..	..	..	..	..	24.60	38.00
4. Closing stocks	..	..	..	..	..	..	..	..	..	2.44	4.24
5. Consumption	..	..	..	..	..	..	..	..	..	425.42	454.00

REQUIREMENTS AND AVAILABILITY OF WHEAT
(MAY—APRIL)

('000' tons)

	1970-71 (Actual)	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Target)
1. Opening stocks	32.0	162.0	48.0	131.0
2. Local Production*	7,179.0	6,374.0	6,782.0	7,400.0
3. Deduction for seed & wastage	718.0	637.0	678.0	1,140.0**
4. Imports	290.0	694.0	1,527.0	1,300.0
5. Exports to East Pakistan	39.0	32.0	—	—
6. Closing stocks	162.0	48.0	131.0	83.0
7. Net availability	6,382.0	6,513.0	7,548.0	7,608.0
8. Population (mln.)	61.5	63.2	65.0	66.8
9. <i>Per capita</i> availability (ozs. per day)	10.50	10.11	11.39	11.391
10. Percentage change	(-)-3.72	12.66		

*A period of one year has been taken as time lag between production and consumption.

**Also includes wheat wasted during floods.

!Apparently the *per capita* availability during 1972-73 and 1973-74 is the same but the figure for 1972-73 is inflated since it includes those private stocks which were carried over to 1973-74.

REQUIREMENTS AND AVAILABILITY OF RICE

('000' tons)

	1970-71 (Actual)	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Target)
1. Opening stocks	394	450	396	147
2. Local Production	2,165	2,226	2,288	2,600
3. Deduction for seed and wastage @ 6% of the total	130	134	138	156
4. Exports to East Pakistan	307	138	—	—
5. International Exports	179	195	800	650
6. Closing stocks	450	396	147	237
7. Net availability	1,493	1,813	1,599	1,704
8. <i>Per capita</i> availability (ozs. per day)	2.37	2.82	2.41	2.50
9. Percentage change		18.9	(—)14.5	3.7

REQUIREMENTS AND AVAILABILITY OF PULSES

('000' tons)

	1970-71 (Actual)	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Target)
I. Production				
(a) Gram 1	503.0	492.0	502.0	544.0
(b) Other pulses	72.5	77.7	70.6	75.0
II. Deduction for Seed, feed and wastage				
(a) Gram @22.5%	113.2	110.7	113.0	122.4
(b) Other pulses @11.0%	8.0	8.5	7.8	8.2
III. Exports				
(a) Gram	14.0*	9.8*	—	—
(b) Other pulses	—	—	—	—
IV. Imports				
(a) Gram	—	—	—	—
(b) Other pulses	0.15**	2.7**	—	—
V. Net availability				
(a) Gram	375.8	371.5	389.0	421.6
(b) Other pulses	64.6	71.9	62.8	66.8
VI. Per Capita Availability (lbs. p.a.)				
(a) Gram	13.69	13.17	13.41	14.12
(b) Other pulses	2.35	2.55	2.16	2.24
VII. Percentage change				
(a) Gram	—	(-) 3.8	1.8	3.6
(b) Pulses	—	8.5	(-) 15.3	5.3

1. A period of one year has been taken as timelag between production and consumption.

*Exports to East Pakistan.

**Imports from East Pakistan.

REQUIREMENTS AND AVAILABILITY OF SUGAR

('000' tons)

	1970-71 (Actual)	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Target)
I. Sugar Cane				
1. Production	22,801	19,648	19,632	23,000
2. Deduction for seeds, feeds & wastages @10%	2,280	1,965	1,963	2,300
3. Crushed by mill sector	6,438	3,728	4,470	6,110
4. Available for raw sugar production	14,083	13,955	13,199	14,590
II. Refined Sugar				
1. Opening stocks	154	40	10	6
2. Local production	532	346	432	550
3. Imports	—	164	110	—
4. Exports	123	15	—	—
5. Closing stocks	40	10	6	6
6. Net availability	523	525	546	550
7. <i>Per Capita</i> availability (lbs. per annum)	19.0	18.6	18.8	18.4
III. Non-refined Sugar				
1. Production*	1,549	1,535	1,452	1,605
2. <i>Per capita</i> availability (lbs. per annum)	56.4	54.4	50.0	53.9

*Assuming a recovery rate of 11 per cent.

PRODUCTION OF VANASPATI AND REQUIREMENTS OF EDIBLE OILS

('000 tons)

	1970-71 (Actual)	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Target)
I. Availability of Edible Oils :				
Opening stocks	30.0	11.0	24.0	26.0
Domestic Production	200.0	253.0	235.0	230.0
Imports	81.0	69.0	87.0	150.0
Total availability	311.0	333.0	346.0	406.0
II. Uses :				
Industrial use except for vanaspati manufacturing	110.0	45.0	55.0	60.0
Direct consumption		55.0	45.0	50.0
Closing stocks	11.0	24.0	26.0	31.0
Availability for vanaspati manufacturing	190.0	209.0	220.0	265.0
III. Production of Vanaspati	174.0	190.0	210.0	250.0
IV. Per Capita Availability (lbs. p.a.)	6.34	6.73	7.24	8.38
V. Percentage change		6.15	7.57	15.75

REQUIREMENTS AND AVAILABILITY OF COTTON CLOTH

	Unit	1970-71 (Actual)	1971-72 (Actual)	1972-73 (Actual)	1973-74 (Target)
I. Raw Cotton					
1. Production	(Min. Bales)	3.10	3.98	3.95	3.70
2. Exports	"	1.15	1.65	1.30	0.80
3. Required for quilts etc.	"	0.10	0.10	0.10	0.10
4. Available for yarn production	"	1.85	2.43	2.55	2.80
II. Yarn					
5. Production	(Min. lbs.)	670	740	804	881
6. Consumption by Mill Sector	"	226	217	202	213
7. Exports including to East Pakistan	"	245	401	407	400
8. Available for non-Mill Sector	"	199	122	157	216
9. Required for Hoisery @ 5% of total production	"	35	37	38	42
10. Available for Non-Mill Cloth Production Sector	"	164	85	119	174
III. Cloth					
11. Production by Mill sector	(Min. Yds.)	787	751	701	738
12. Production by Non-Mill Sector @4 Yds. per lb. of yarn	"	656	340	476	696
13. Total Production	"	1,443	1,091	1,177	1,434
14. Exports including to East Pakistan	"	467	448	618	700
15. Available for domestic consumption	"	976	643	559	734
16. <i>Per capita</i> availability (Yds. per annum)	"	15.8	10.2	8.6	11.0

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CHAPTER 9

PRICE SITUATION

The price level remained under considerable pressure during 1972-73. According to the latest estimates of the Statistical Division, the rate of inflation during this period has been in the range of 15 to 24 per cent. The table below presents figures on the wholesale price index and the consumer price index for industrial and clerical workers at Karachi by major expenditure groups. It is worth noting that the consumer price index of the industrial workers for the food group increased by about 23 per cent between June 1972 and June 1973. Other constituents have increased less rapidly but even there the rate of inflation is substantial.

WHOLESALE PRICE INDEX*

(1959-60-100)

	General	Food	Raw Material	Fuel, Lighting and Lubricant	Manufacturing
June 1972	163.5	173.5	139.6	152.7	155.8
June 1973	202.4	214.9	186.0	198.1	182.6
Increase (%).. .. .	23.8	23.9	33.2	29.7	17.2

CONSUMER PRICES INDEX*
(1961-100)

	General	Food	Apparel Textile and Footwear	Housing & Household operations	Miscellaneous
Industrial Workers Karachi :					
June 1972.. .. .	158.1	174.0	138.5	134.8	138.5
June 1973.. .. .	187.2	213.9	153.5	158.2	149.0
Increase (%)	18.4	22.9	10.8	17.4	7.6
Clerical Wage Earners Karachi :					
June 1972.. .. .	163.8	195.6	145.5	133.6	133.2
June 1973.. .. .	188.4	239.1	165.1	145.5	134.2
Increase (%)	15.0	22.2	13.5	8.9	0.8

*Source: Statistical Division, Ministry of Finance Planning and Development, Government of Pakistan.

Causes of inflation

2. The serious inflationary situation witnessed during the last year is based upon an unfortunate confluence of certain adverse developments super-imposed upon essential and inescapable commitments of the Government. The major factors which led to the inflation are as follows :—

(i) *Devaluation.*—The decision to devalue the Pakistan currency a year ago was a long overdue adjustment in the level and structure of rates of exchange. The Government took this decision knowing full well that in the short-run devaluation would result in inflationary pressures arising from the higher cost of imports, increased debt servicing charges and reduced domestic availability of exportable quantities. To reduce the impact on prices the Government made readjustments in the tariff structure which included lowering of import duties and imposition of export duties on various commodities.

(ii) *International Inflation.*—One of the unfortunate developments after devaluation was that its effect was substantially aggravated by international inflation. This was particularly pronounced in the case of commodities with the result that the import cost of wheat, sugar, edible oils and fertilizers increased substantially requiring large subsidies to maintain stable domestic prices. The prices of imported industrial raw materials also increased pushing up domestic costs. On the export side, the prices of our major exports like, rice, cotton and cotton products rose sharply which had multiple effects on domestic prices ; domestic availability was reduced ; the cost of cloth went up as prices of raw cotton and cotton yarn moved up in line with international prices ; and higher export earnings increased money income of both the producers and the traders which led to an increase in effective demand within the economy. It may be mentioned that earnings in the private sector increased by over Rs. 2,500 million on account of the export boom during the year (after adjusting for the earnings from export bonus during 1971-72 and the payment of export duties in 1972-73).

(iii) *Increased Money Income.*—The higher earnings of the export sector is one instance of a more widespread phenomenon. Various segments of the population such as industrial workers, farmers and low paid Government employees had received higher money incomes. The increase in the wages of the industrial workers and salaries of the low paid Government employees was designed to be a measure to redistribute national income. Farm incomes increased owing to the high international price of cotton and rice and enhanced procurement prices for wheat and sugarcane. The Government raised procurement prices of wheat and sugarcane in order to provide an incentive for higher production and for increased procurement. From the procurement of wheat and sugarcane by the Government and the mills, the higher prices are estimated to have yielded an additional income of over Rs. 400 million to the farmers. Although the farmers had to pay more for fertilizer, their benefits exceeded their wheat sales to the Government and their sugarcane sales to the mills because the higher procurement prices meant that their produce fetched more in market transactions as well.

(iv) *Deficit Financing.*—In order to meet its commitment in the area of defence, essential physical infra-structure requirements and social reforms, the Government had to resort to deficit financing to a sizeable extent. The expansion of monetary assets in the Government sector, including state trading operations, was about Rs. 2,370 million in 1972-73. This significantly contributed to the increase in money incomes and inflationary pressures.

(v) *Psychological Factors.*—Another factor which intensified inflation was that of speculation. As inflation developed an inflationary psychology stepped in. Consumers developed a tendency to hedge against rising costs by stepping up purchases, speculators made money by hoarding and producers and sellers raised prices in advance of costs to stay ahead of the inflationary spiral. A flux Government policies and postures and especially the threat of stringent controls also bred speculation and diverted money from fixed investment to hoarding.

3. The major factors mentioned above fall under the head of various categories of inflation : demand pull, cost push, low availability and speculation. The distinction between them becomes blurred in the inflationary process since each feeds upon the other as the demand-cost-speculation spiral builds up. Still, if it is useful and convenient to keep the various categories in mind ; with this in view, the major causes of inflation in Pakistan are presented below in a schematic, tabular form :

FACTORS CONTRIBUTING TO INFLATIONARY PRESSURES IN PAKISTAN

Factors contributing to Demand-Pull Inflation	Factors Contributing to Cost-Push Inflation	Factors Contributing to Reduced Availabilities
(1) Increased money incomes as a result of : (a) Higher volume of exports. (b) Higher prices of exports because of devaluation and international inflation. (c) Increase in farm incomes with higher farm prices. (d) Increase in wages of labour.	(1) Higher costs of imports both of consumer goods and raw materials because of devaluation and international inflation. (2) Increased debt servicing and depreciation charges. (3) Higher prices of agriculture products with the raising of the procurement prices. (4) Higher wage costs.	(1) Increased exports. (2) Slow recovery in production and improvement in utilization of capacity. (3) Shifting from financial assets to real goods as a hedge against inflation. (4) Holding of goods for speculative purposes.
(2) High level of deficit financing. (3) Increase in development expenditure on physical and social infra-structure. (4) Increase in non-development expenditure particularly on defence and social sectors viz, education and health. (5) Increase in population.		

4. The problem of price maintenance, it must be realised, is difficult even under normal circumstances. When consumption demand grows 3 per cent a year owing to population growth alone, when a poverty ridden country must invest for a comparatively prosperous future generation, and when exports must expand to meet foreign exchange needs, it is difficult to provide immediate gains in living standards and maintain price stability. And then the Government did not face normal circumstances. It inherited two bad years of agricultural production, an investment slump, an untenable exchange rate, suspended interwing trade, an oppressive socio-economic set up and a dismayed nation. It had to revive the economy and reform its structure, strengthen its defences, take urgent steps to avert an impending power crisis, boost agricultural production and exports, and engage in various nation building measures. A lot has been accomplished but unfortunately prices have been rising. This evil too may have been averted but for the world-wide panorama of inflation.

Steps taken to Regulate Prices

5. The Government has taken a variety of measures to control the prices of essential commodities. It resorted to large imports and bore huge subsidies in order to maintain the prices of wheat at ration depots. This policy not only meant unchanged prices of wheat supplied at ration depots but a fair degree of stability in the open market price of wheat.

6. The Government also resorted to large imports of sugar to bridge the gap between demand and the low production of 1971-72. In spite of large imports, the Government had to resort to complete rationing of sugar to make available equitable amongst consumers. Sugar production is expected to be considerably large in 1973-74 but not sufficiently to permit a relaxation of complete rationing. The higher procurement prices announced for sugarcane will lead to higher sugarcane production in 1973-74 and 1974-75 and it is hoped that in the next crushing season sufficient sugar will be produced to increase ration quota.

7. During 1973-74 the Government had reached an agreement with Vanaspati Ghee Manufacturers to hold its price constant. Apart from a brief rise in price during the Ramzan, the agreement was successful. In order to allow manufacturers to maintain prices, the Government allowed rebates on capacity tax and arranged for substantial imports of edible oil. At the beginning of this year, the Government allowed the price of Vanaspati to be increased from Rs. 4.75 to Rs. 6.00 per seer. However, due to non-implementation of the agreement reached with Vanaspati Ghee Manufacturers leading to decreased production and serious shortage of Ghee in the country. Further the Government has also issued licences for the import of butter oil to ease the pressure on Ghee.

8. Similarly, the Government has enforced stable prices of kerosene oil and facilitated constant prices through controls and liberal import provisions.

9. The prices of cloth rose sharply in the later part of 1972-73. The increase in price was primarily caused by the higher price of cotton and cotton yarn following an international price hike. In order to lower the prices of cloth domestically, the Government enhanced the export duties on cotton and cotton products. It also entered into an agreement with the All-Pakistan Textiles Mills Association to open fair price shops throughout the country at which utility cloth would be supplied at prices well below the open market prices. In June 1973, the Governor of the Punjab directed large-scale manufacturing establishments to supply cloth and pulses at subsidised rates to industrial labour. These measures aim at making coarse cloth available to consumers at reasonable rates. Prices of medium quality varieties of cloth will not be affected by these measures and since the demand for medium quality cloth is very substantial the Government is considering measures to bring down their prices as well.

10. Apart from fair price shops for cotton cloth the Government has been opening utility stores in urban centres where various essential commodities are available at reasonable prices.

11. Through these measures, the Government has been attempting to maintain reasonable stability in the prices of the essential items of common consumption such as wheat, sugar, vegetable ghee, tea and kerosene oil. These items constitute about one fourth of the budget of families earning less than Rs. 300 per month. Other major constituents of family budget are milk, milk products, vegetables, pulses and meat. In these commodities, both production and trade is very diffused and difficult to control. Even so, the Government is trying to enforce price stability in these areas through negotiations with butchers and milk sellers.

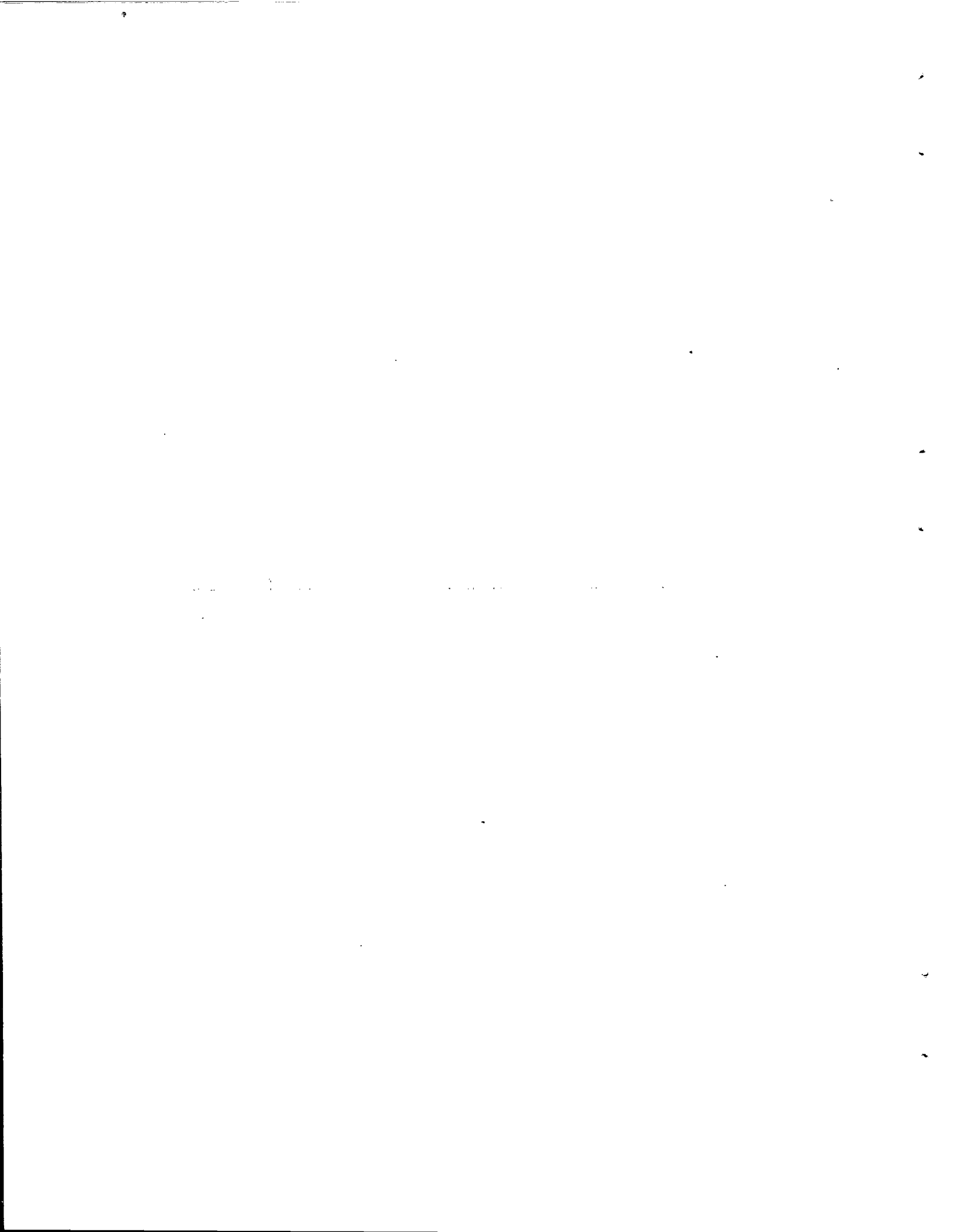
12. Recently, the Government have given wage increase to fixed income groups. At the same time, some price adjustments have been made to induce the farmers and manufacturers of essential commodities to increase their production.

13. Beside taking policy measures on individual essential items, the Government took major decision in the field of monetary and fiscal discipline. The State Bank announced the following measures to counter act the inflationary conditions in the economy in August, 1973 :—

- (a) The bank rate was raised from 6% to 8% .
- (b) The liquidity ratio which banks are required to maintain was raised from 30% to 35%.
- (c) The minimum rate of interest of various categories of savings and fixed deposits were revised upward and selective credit controls were introduced.

14. As mentioned earlier in Chapter 4 to meet budgetary deficit arising out of the recent floods appropriate fiscal measures have been taken. Simultaneously strict watch is being kept on non-development expenditure. The expenditure on the rehabilitation and reconstruction is also expected to be met by the adjustment within ADP. Thus every effort is being made to meet the Government outlays from non-inflationary sources.

PART II
PRODUCTION PROGRAMMES AND PHYSICAL INFRA-STRUCTURE



CHAPTER 10

AGRICULTURE

Agriculture is the largest single segment of our economy as it contributes over one-third to the gross domestic product, accounts for about 40 per cent of the export earnings, employs more than half of the civilian labour force and most of the industries obtain their raw material from this sector. The Government attaches great importance to the sector and has taken many policy measures to boost farm production. Some of the more recent measures include enhancement of the procurement prices of wheat, rice, and sugarcane and massive programme of installation of diesel engine tubewells on subsidised rates.

REVIEW OF 1972-73

Financial Utilization

2. During 1972-73, the Agriculture sector was allocated Rs. 38.15 crore (net) Rs. 19.68 crore for the Punjab, Rs. 6.87 crore for Sind, Rs. 5.10 crore for NWFP, Rs. 2.06 crore for Baluchistan and Rs. 4.44 crore for the Federal Government programmes. The utilisation of the funds is estimated at about Rs. 48 crore which comes to about 125 per cent of the ADP allocation. The higher utilization was mainly due to the increased expenditure on subsidy on fertilizers and pesticides on account of devaluation of Pakistani currency, launching of diesel engine tubewell installation programme on subsidised rates and implementation of the Rural Integrated Development Programme on a priority basis.

Physical Implementation

3. From the statistics available so far, it seems that except for wheat, the production targets are not likely to be achieved. The main factors responsible for such a situation are attack of insect pests on cotton, low canal discharge and unfavourable weather conditions.

4. The estimated production of major crops is set out in Table 2 appearing on the following page.

ANNUAL PLAN FOR 1973-74

5. Against an allocation of Rs. 38.15 crore made last year a provision of Rs. 60.81 crore has been made for this year's programmes of the agriculture sector. The revised allocations take into account the adjustments made consequent on the floods. The breakdown of this allocation, by executing agencies, is given in Table I.

TABLE I

Annual Development Programme, 1973-74 by Executing Agencies

Executing Agency	Allocation for 1973-74
Provincial Programmes	
Punjab	36.76
Sind	6.35
N.W.F.P.	6.89
Baluchistan	2.86
Total Provincial Programmes	52.86
Federal Programmes	
Food and Agriculture Division	5.05
Science and Technology Division	0.03
Finance Division	1.25
Kashmir Affairs Division	1.26
States and Frontier Region	0.36
Total Federal Programmes	7.95
Grand Total	60.81

6. Further financial details may be seen in the Appendices I—VII.

PHYSICAL PROGRAMME

Crop Production

7. The production targets originally fixed for 1973-74 had to be revised to take into account the consequences of the floods. The extent of damage done by the floods to the Kharif crops has been estimated in a document prepared by the Planning Commission for the UN-IBRD mission. The principal effects of the floods on crop production targets is briefly summarised below :—

- (i) The principal set back due to the floods was a loss of output in cotton. The revised estimate of 3.7 million bales indicates a decline of over 0.2 million bales compared to the previous year and a shortfall of 0.6 million bales compared to the target for 1973-74. But for the floods, the target would have been realized.
- (ii) Some damage was done to the rice crop and the production will not reach the target of 3 million tons originally fixed. However, production will be considerably larger than in the previous year.
- (iii) The latest estimates show that sugarcane output will be on target. It will be substantially in excess of the previous year. The effect of the floods on the sugar crop was thus minimal.
- (iv) A 15 per cent increase in wheat crop is estimated. This sharp increase has been facilitated by the greater moisture available due to floods and rainfall and the diversion of acreage, damaged due to floods, from kharif to rabi.

8. The revised crop production targets for the major crops during the year 1973-74 are set out in Table 2 below :—

TABLE 2

Estimated Production of Major Crops 1970-71 to 1972-73 and Production Targets for 1973-74

Item	Unit	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Revised estimates	Percentage increase in 1973-74 over 1972-73
Wheat	000 tons	6,373	6,781	7,400	8,500	15
Rice	"	2,164	2,226	2,288	2,600	14
Maize	"	706	694	695	830	19
Other food grains	"	763	763	703	700	—
Total food grains	"	10,006	10,464	11,086	12,630	14
Sugarcane	"	22,801	19,648	19,632	23,000	17
Cotton	000 bales	3,051	3,979	3,947	3,700	(—)6
Edible oil seeds	000 tons	1,387	1,757	1,710	1,660	(—)3

9. For achievements of the above mentioned targets during 1973-74, the major inputs programmes are discussed in the following paragraphs.

Fertilizer

10. It is proposed to distribute 675 thousand nutrient tons (550 thousand N/tons of Nitrogen, 120 thousand N/tons of phosphorus and 5 thousand N/tons of Potash) during the year 1973-74 as against an estimated consumption of about 436 thousand nutrient tons of fertilizer during 1972-73. Province-wise details are given in Table 3 below :—

TABLE 3

Province-wise likely consumption of fertilizer in 1972-73 and targets for 1973-74

Province	Likely consumption during 1972-73			Target for 1973-74		
	N	P&K	Total	N	P&K	Total
	thousand nutrient tons					
Punjab	262	34	296	368	84	452
Sind	94	12	106	124	28	152
N.W.F.P.	29	4	33	50	11	61
Baluchistan	1	—	1	8	2	10
Total	386	50	436	550	125	675

11. Arrangements will be made to procure the required quantity of fertilizers in time and efforts made to streamline the distribution system so that the fertilizer is easily available to the farmers. Since the use of the phosphatic fertilizers is far behind in ratio with the nitrogenous fertilizers, effort will be made to popularize the former.

Plant Protection

12. An area of about 44 lakh spray acres is estimated to have been covered by curative measures during 1972-73. The area proposed to be covered with the curative measures during 1973-74 is estimated to be 106 lakh spray acres. This includes special spraying of Kharif crops, undertaken with international assistance to safeguard crops in flood affected areas.

13. The province-wise details are given in Table 4 below :—

TABLE 4

Province-wise area to be covered with plant protection measures in 1972-73 and targets for 1973-74

Province	Area likely to be covered during 1972-73			Target for 1973-74		
	Ground Operations	Aerial operations	Total	Ground Operations	Aerial operations	Total
	Lakh spray acres					
Punjab	13.10	9.14	22.24	40.50	16.15	56.65
Sind	7.64	5.66	13.30	32.00	7.75	39.75
N.W.F.P.	2.52	5.54	8.06	3.00	4.20	7.20
Baluchistan	0.50	0.21	0.71	1.00	1.30	2.30
Total	23.76	20.55	44.31	76.50	29.40	105.90

14. The preventive measures involving largely seed treatment against soil and seed borne diseases will be continued and intensified during the year. The following areas need further attention.

- (i) Allocation of function of pesticides distribution between public sector and private companies;
- (ii) Reduction of subsidy on the sale of pesticides to a uniform level in all the provinces ;
- (iii) Timely supply of pesticides ;
- (iv) Manufacture and subsidized sale of standard spraying equipment ; and
- (v) Acceleration of aerial spraying operation.

Distribution of Improved seeds

15. Seed multiplication and distribution programme has been reorganized after the dissolution of the West Pakistan Agricultural Development Corporation in 1971-72. The responsibility for seed multiplication has been handed over to the Provincial Agricultural Departments while the functions of seed procurement and distribution have been assigned to the newly created Agricultural Supplies Organization, except for Sind where the seed distribution programme has been taken over direct by the Provincial Government. A sound seed industry needs to be set up, effective seed laws promulgated and enforced and seed testing organizations streamlined and strengthened. Aside from measures for procurement of quality seed, distribution and delivery system needs service with a view to reaching and servicing the common cultivator. The crop-wise quantities of seeds distributed during 1971-72 and 1972-73 and targets for 1973-74 are given in Table below:—

TABLE 5

Seed Distribution, Achievements and Targets, 1971-72, 1972-73 and 1973-74

Type of Seed	1971-72 actual	Target	1972-73 Estimated actual	1973-74 Target
	000 maunds			
Wheat	190	456	324	625
Rice	40	63	31	52
Maize	7	35	23	37
Gram	7	23	—	39
Cotton	260	320	156	229
Potato	56	55	16	21
Oilseeds	5	6	—	—
Total	565	958	550	1,003

16. It is known that the Government of Punjab is making arrangements for supply of about 30 lakh maunds seed from the wheat stock for sowing in the flood affected areas during rabi, 1973. Similarly, the Government of Sind is also making arrangements for supply of seed from the wheat stock for flood affected areas.

Mechanization

17. Under the land development programme of the Sind Agriculture Department, 50 thousand acres will be developed during 1973-74 against more than 64 thousand acres developed during 1972-73. It is proposed to launch a new programme of down payment of bulldozers and to procure wheel type tractors for rehabilitation work in the flood affected areas of the Province. Furthermore, about 350 tubewells will be installed during 1973-74 against the estimated 350 tubewells sunk during 1972-73.

18. In N.W.F.P., during 1973-74, about 35 thousand acres will be developed by the Agriculture Department against about 12 thousand acres developed during 1972-73. The Department of Agriculture has bored 164 tubewells during 1972-73 and plans to bore 910 tubewells during 1973-74.

19. The fleet of heavy earth moving machinery available with the Punjab Agriculture Department will be utilised to develop about 134 thousand acres during the current year against about 104 thousand acres likely to be developed during the year 1972-73. A programme of procuring 800 wheel type tractors for use especially in flood affected areas of the Punjab will be implemented to sow rabi crops in time and over larger areas. In addition, about 1,500 tubewells just equal to the achievement of last year, are planned to be installed on subsidised basis in the *Sailaba, barani*, and non-perennial areas of the province.

20. The Agriculture Department of Baluchistan is planning to procure 150 bulldozers under Italian credit to supplement/replace the worn out machinery to accelerate the land development work. In addition, facilities for boring of tubewells will be expanded to carry out the programme of installing about 200 diesel engine tubewells on subsidised rates on priority basis.

Soil Conservation and Watershed Management

Soil Conservation

21. Under the Soil Conservation Operational Project (Potwar area) and Land Improvement Project (Soan Valley), about 9,000 acres of virgin land were reclaimed and about 26,000 acres of the cultivated area were improved in the Punjab during 1972-73. In addition, work on survey and preparation of feasibility report on Sulaiman Hills Range for watershed management over an area of about 100,000 acres in Punjab was completed during the year. Soil and Water conservation works previously carried out in Hazara District of N.W.F.P. were maintained. In Baluchistan, work on stabilization of sand dunes at Pasni and Gwadar and soil conservation operations in the Juniper forests of Kalat Division were also initiated and 60,000 plants raised, 40 wells dug, and 296 lakh cft. check dams, 11,000 contour trenches and 36 miles jeep road constructed during the year.

22. It is proposed to launch a new project for reclamation of the gullied lands in the Potwar tract during 1973-74. Preliminary surveys have since been initiated for drawing up the project. Efforts would be made to formulate a comprehensive programme for tackling the menacing problem of soil erosion in the light of the experience gained from the on-going schemes. In N.W.F.P., the Soil and Water Conservation works presently being carried out in Hazara District are proposed to be extended to the other parts of the Province also. The targets for the year consist of (a) Land improvement by Waibandi (3100 acres), (b) reclamation of virgin land (3300 acres) and (c) range management over 200 acres. Stabilization of sand dunes at Pasni and Gwadar and soil conservation work in the Harboi Hill juniper forests, Kalat Division, will be continued.

Watershed Management

23. Work under the Mangla Watershed Management Project was continued during 1972-73. About 143 sq. miles were covered with watershed management measures during 1972-73 and another 131 sq. miles are proposed to be covered during 1973-74.

24. Watershed management project in the Kaghan and Daur areas of N.W.F.P. was continued during the year 1972-73. The achievements during the year 1972-73 and targets for 1973-74 are as follows :—

Item of work	Achievement 1972-73	Targets 1973-74
Afforestation	5,125	7,200
Planting of fruit trees	1,250	2,000
Terracing	526	2,000

25. In addition, the Water Harvesting Plan for developing barani area of N.W.F.P. to achieve food self sufficiency is proposed to be initiated during the year.

Animal Husbandry

26. Shortages in supply of milk, meat and eggs are being experienced with consequent increase in their prices. Both long and short term measures shall be undertaken to augment their production. The long term measures such as improvement of breeds for milk, meat and wool production shall be continued on the existing state farms as well as by opening seven new farms (one in Baluchistan and 6 in the Punjab) in the public sector ; and provision of over 400 quality bulls and about 2,000 rams and expansion of artificial insemination facilities for the private breeders. However, more emphasis shall be laid on the measures that will increase production in the short run. These measures include expansion of facilities for prevention and control of diseases ; and opening of seven new veterinary dispensaries in the N.W.F.P. and setting up of diagnostic laboratories at district headquarters in the Punjab.

27. Poultry raising is a profitable industry which requires small investment and yields quick returns. To increase supply of more hatching eggs and breeding birds to the private breeders, the existing state owned farms will be improved and new schemes will be initiated for multiplication of poultry including setting up of a new poultry farm in Baluchistan and two demonstration units in the Punjab. The production and supply of poultry feeds, at reasonable prices, will be continued to produce over 15.00 lakh broilers and 7.50 lakh layers in Sind and Punjab. About 2.88 lakh day-old and 2 month-old chicks are proposed to be distributed for increased poultry production in the N.W.F.P.

Range Management

28. Range development work in the Thal and Cholistan areas of the Punjab consisting of (a) development and maintenance of *tobas*, water points and wells, (b) collection of 300 maunds of grass seeds and their sowing over 2205 acres, (c) demarcation of boundary and fixing of boundary pillars, and (d) construction and maintenance of new roads, range trails and range buildings was continued during 1972-73. In addition, range management works over an area of 60,000 acres in Kohat district of N.W.F.P. and preparation of grazing plans for the project areas in order to retard deterioration of range lands and, at the same time, to increase production of livestock through improvement in their quality and reduction in their numbers was initiated and an area of 17,000 acres was actually covered during the year. Survey and analysis of range potential in Sind was completed during 1971-72 and a feasibility report on range management in Ragistan and Kohistan Tracts, Ghaibedero Jagir and Takkar area has been finalised. Besides, work on artificial water recharge in Quetta Valley (Baluchistan) was continued and 501 check dams constructed during the year 1972-73.

29. Range management work will be continued in Thal and Cholistan areas of the Punjab and 500 maunds of grass seeds will be collected and sown over an area of 3,000 acres and 100 *Tobas* will be improved during 1973-74. It is also proposed to launch a major project for development and management of range lands in the Punjab. Feasibility survey for the project has since been started and the project is expected to be ready very soon. In addition, range management work consisting of (a) establishment of enclosures for studying vegetation responses to protection from grazing, (b) implementation of grazing plans, (c) stock water development and (d) assistance to the cooperative livestock improvement through selection and better care will be augmented in Kohat district of N.W.F.P. and 50,000 acres are expected to be covered during the year. A project for range management in Sind, drawn up on the basis of the feasibility study completed earlier, will be put in operation during 1973-74. The works to be undertaken during the year consists of (a) construction of 15 watering points and wells, (b) collection of 2,000 maunds and 150 maunds of hay and grass seeds, respectively, (c) procurement and installation of one wind mill, and (d) construction of 50 miles of range trails. In Baluchistan, work on artificial water recharge presently being carried out in the Quetta Valley, will be continued and also expanded over other parts of the Province. The main targets for 1973-74 are as follows :-

(i) Construction of check dams (Nos.)	..	..	..	..	..	..	..	7,836
(ii) Construction of caved percolation trenches/contour ridges (Nos.)	..	..	..	..	..	..	..	3,000
(iii) Construction of ditches (Nos.)	..	..	..	..	..	..	..	200
(iv) Construction of ditches, dug out ponds and percolation trenches (000 cft)	..	..	..	..	..	..	..	375
(v) Raising of plants behind check dams (000 Nos.)	..	..	..	..	..	..	..	15.5

Forestry

30. The President in his directives dated November 14, 17 and 20, 1972, January 17, 1973 and August 11, 1973, while expressing his dis-satisfaction over development of forestry in the country, observed " *interalia* " that efforts should be made to plant trees along the roads and canals, on village waste lands and home steads and in and around the public buildings during 1973. It was further directed that massive efforts should be

made to complete this work and the Provincial Government should do every thing possible to make this campaign successful. The matter was also discussed in the Governor's Conference held on March 6 and 7, 1973 and necessary policy directives were approved for the guidance of the Provinces. A target of growing 10 million new trees was fixed for the Punjab and about 8 million new trees were raised during 1972-73. In addition 33,000 acres of farm land also planted during the year. A target of growing 18 million new trees (8 million trees on public lands and 10 million trees on private land) has been fixed for the year 1973-74. In Sind, 20,76,000 new plants were raised and distributed during the year 1972-73. While a new nursery will be raised over 30 acres and another 16,50,000 new plants will be raised for distribution during 1973-74. In Baluchistan existing forest nurseries over 23 acres were maintained and new ones raised over 7 acres for supply of 80,000 to 1,00,000 plants for distribution to the general public. It is also proposed to raise new nurseries over 31 acres during 1973-74.

31. As has been the case during the past, the main emphasis in the forestry development during 1972-73 has been on bringing more and more area under tree growth. In addition to raising compact plantation on Government waste land as well as on private farm land, introduction of various exotic species of commercial importance, linear planting along canal-sides, road-sides, rail-side, water-courses, drains and streams was undertaken during the year. This emphasis on afforestation and regeneration with introduction of suitable exotic species will continue during 1973-74. The expected achievements for the year 1972-73 and the targets for 1973-74 are as given in Table 6 below :

TABLE 6
Province-wise Achievements and Targets of afforestation for 1972-73 and 1973-74.

Name of Province	Compact plantations		Linear plantations	
	Estimated achievements, 1972-73	Targets 1973-74	Estimated achievements, 1972-73	Targets 1973-74
	(000 acres)			
Baluchistan	—	1.6	55	186
Sind	6.9	3.1	411	723
N.W.F.P.	1.0	2.3	87	90
Punjab	0.7	1.6	3,422	2,957

32. Improvement of 15 miles link roads will also be completed and 15,000 acres covered for control of Shishem Defoliater in the Punjab during 1973-74. In addition, 0.51 lakh acres of guzara forest and waste land have been demarcated in N.W.F.P. during 1972-73. Another 100,000 acres are proposed to be covered during 1973-74. Besides, 5 miles of forest roads and 68 new buildings were constructed during 1972-73 for better management of the forest. The targets for 1973-74 are construction of 26 miles of forest roads and 47 number of new forest buildings.

33. The International Union of Conservation of Nature and Natural Resources completed survey and prepared five-year programme for development of wildlife and wildlife habitat and National Park in Khirthar range of Sind. A new project for Wildlife development in Sind is proposed to be started during 1973-74. The physical targets consist of (a) construction of Building (10), morchas (20), and outlets (6), and (b) remodeling of two minors.

34. Heavy damage was done to the newly raised linear and compact plantation forest nurseries, riverain forests, forest roads, bridges and building and installation of sericulture organization in Punjab and Sind Provinces during the September, 1973 flood havoc. Special efforts are proposed to be taken to restore the linear and compact plantation, forest nurseries and riverain forest. Repairs will also be carried out to the forest roads and bridges, buildings and Sericulture installations during the year.

Fisheries

35. The fisheries development programme is aimed at increasing fish production in the country from the inland and marine waters. Fish cultivation will be encouraged in village ponds, dams, reservoirs, lakes and road-side depressions. In Punjab, the facilities for fisheries research will be expanded and the survey of

fisheries resources will be continued. A crash programme will be launched for extension of fish culture in the province. It is also proposed to undertake repair to and restoration of the fisheries installations damaged in September floods in the Province. Facilities will be provided for landing centres at the Manchher Lake in Sind, while propagation of trout will be emphasised in Swat, Chitral and the Kaghan areas of N.W.F.P.

36. Preliminary work in connection with the construction of Fish Harbour at Gawadar, Baluchistan was started in 1972-73. Because of the delay in procurement of wave riders, it has been decided to base the design on extra-polated wave data at Karachi. This would reduce the gestation period of the project. WAPDA is to prepare a revised time schedule indicating the reduction brought about in the gestation period. This work will be accelerated during 1973-74. Fish landing jetties will be provided at Pasni and Jiwani while facilities will be provided for marketing fish on the Mekran coast and for manufacture of salt at Pasni. The work on the extension of Fish Harbour at Karachi will continue during 1973-74. Construction of research vessels for Sea Exploratory Fishing and Oceanographic Research will be expedited during the year.

Agricultural Extension

37. Efforts will be made to strengthen the agricultural extension organisation through appointment of additional staff and by imparting in-service training during the year 1973-74.

38. In Punjab, the Agricultural Training Institute, Sargodha, will be converted into a training institute for imparting general training to the agricultural staff. In addition, agricultural extension work in SCARP II—A area will be continued.

39. In Baluchistan, residential and office accommodation will be provided to the staff of the agricultural department at various places.

40. In N.W.F.P. the extension service staff will be strengthened and re-organised through creation of new posts, imparting of in-service training etc., especially in the under-developed areas of the province. In order to augmenting production of Kharif and Rabi crops cash prizes will be awarded to the farmers attaining highest acre-yield and to the staff members of the department in appreciation of their work. The farmers will be educated through laying out of demonstration plots and blocks, by holding meetings, shows and melas at various levels through out the province.

Research on Crop Production

41. Research on improvement of crops such as wheat, rice, maize, oilseeds, gram, pulses, potatoes and fruits continued during 1972-73. The improved wheat variety 'Khushal', maize variety 'Khalil', rice varieties 'YRL' and 'GP5' and cotton variety 13/26 were released for general cultivation in NWFP. Work on introduction of special crops of tea, jute and olive continued during 1972-73. Preliminary work on the establishment of Arid Zone Research Institute was started during 1972-73. The Second Joint-Pak-American Research Review Team submitted its report to the Government and its recommendations are under consideration of the Government.

42. The Agricultural Research Council has been re-organised to enhance the research output capabilities. The Council contemplates to develop national cooperative research programmes for major commodities such as wheat, rice, sugarcane, etc. With particular emphasis on improvement of dry and forage grasses and legumes for livestock feeds. The Council will strengthen research capabilities of the provincial institutions to execute the various programmes by supplying funds, equipment and by imparting training to the staff. An ARC Project for the purpose is now being processed. The normal research programmes for improvement of the various crops will continue in 1973-74. The Dokri Rice Station in Sind will be strengthened, while two new Sugarcane Stations will be set up at Thatta and Larkana. Research on pistachio cultivation will be continued in Baluchistan.

Agricultural Education

43. Under the education programme the following programmes will be implemented during the year 1973-74. In Punjab, funds will be provided for the extension of education facilities at Agricultural University, Lyallpur. Facilities for establishment of faculty of Animal Husbandry, graduate and post-graduate studies at Agricultural College, Tandojam, will be improved and expanded in Sind. In addition, more funds will be provided to expand facilities for the diploma course for the agricultural field assistants, at Agricultural Training Institute, Sakarand. Scholarships will be awarded to the deserving students at various Agricultural Institutes during 1973-74.

44. In NWFP, and the Centrally Administered Tribal Areas scholarships will be awarded to the students from the Malakand and Peshawar Divisions to encourage them to receive training in agriculture. Facilities for providing in-service training both to the field assistants and the higher staff of the Agriculture Department will be expanded during 1973-74.

Agricultural Statistics

45. The Government had decided to hold the Second Agriculture Census in 1970 but it had to be delayed upto January, 1972. The field operations for the Agriculture Census in the settled districts of NWFP, Punjab and Sind (except the bordered districts of the latter two Provinces) and Livestock Census in Baluchistan were completed by June, 1972. Field operations in the remaining areas of Punjab and Sind as well as in Baluchistan and Azad Kashmir are about to be completed. In the meantime, the available data is being tabulated and a report on Livestock Census in Baluchistan has been published. The final census reports are expected to be available during 1973-74.

46. The Agricultural Census Organization has conducted a field survey on rural credit on behalf of State Bank of Pakistan. The results of this survey are expected to be available shortly.

47. The Government of NWFP plans to employ staff for working out production estimates of major crops such as wheat, sugarcane, and maize by crop cutting techniques.

Agricultural Marketing

48. The Federal Government has prepared grading and Marketing rules for canned and frozen shrimps, frozen frog legs, etc. Market surveys for certain agricultural commodities were conducted during 1972-73 by the Agricultural Marketing Adviser, Ministry of Agriculture.

49. During 1973-74 fruit grading plants being received under Freedom from Hunger Campaign of FAO would be installed under the Federal Programmes. Grading and marketing rules would be prepared for bones and fish meal. Moreover, marketing intelligence services would be strengthened.

Government Foodgrains Storage

50. A capacity of about 17,000 ton is expected to be completed in West Pakistan during 1972-73. Under the Federal Government programmes, roads, culverts and staff quarters are being constructed at Pipri, and Landhi, Karachi.

51. During 1973-74, storages of about 20,000 ton capacity will be constructed in West Pakistan, while under the Federal Programmes, railway sidings and other minor works will be completed at Pipri and Landhi, Karachi.

Rural Credit and Cooperatives

52. The volume of institutional credit available to farmers is much less than the demand. It is expected that the introduction of the ' Pass Book ' system will help decrease this gap as it will simplify the lengthy and cumbersome loaning procedure previously adopted by the institutional credit agencies. Arrangements will also be made for supply of credit under relaxed procedure at ' Markaz ' level.

53. Agricultural Development Bank of Pakistan disbursed loans amounting to about Rs. 14 crores and it opened 36 new branches during 1972-73. The Bank proposes to disburse loans to the tune of Rs. 24 crores during 1973-74, while branch expansion will be of the order of 36 during the same period.

54. In order to rehabilitate the flood devastated agricultural economy loans of about Rs. 1,000 million will be disbursed through the various institutional credit agencies.

55. Under the main scheme of the Punjab Government entitled " Reconstruction of Rural Credit and Agricultural Marketing", transport facilities were provided to the already organised farm service centres during 1972-73. Besides, procurement and sale of fertilizer and handling of agricultural produce by the farm service centres continued during the year 1972-73. Two godowns and workshops will be constructed during 1973-74 in the Punjab. The scheme called Introduction of Mechanized Cooperative Farming, Khanewal remained in progress; 145 tractors worked for 6.17 lakh hours and cultivated 6.23 lakh acres during 1972-73. The work under the scheme will be continued during 1973-74. One poultry farming society will be organised and a hatchery also established under the scheme " Cooperative Poultry Farming in Murree Hills."

56. One farm service centre and 9 farm service societies were organised in N.W.F.P. during the year ending June, 1973 under the scheme, " Reconstruction of Rural Credit and Agricultural Marketing". It is proposed that two farm service centres and 24 farm service societies will be organised during the current financial year. Forty tubewells were installed on cooperative basis in N.W.F.P. during 1972-73 and targets for 1973-74 has been fixed at 110 tubewells.

Land Reforms

57. Consolidation of fragmented agricultural land holdings programme is in progress since 1960-61. During 1972-73 about 5 lakh acres of small holdings were consolidated in N.W.F.P. and Punjab. About 5 lakh acres of small holdings will be consolidated during 1973-74.

58. The Land Reforms announced by the President in March, 1972 drastically reduced the ceiling on individual holdings. It envisaged taking over of land exceeding the ceiling (150 acres of irrigated land or 300 acres of non-irrigated land or 12,000 produce index units) and of land exceeding 100 acres acquired by the civil government servants during the tenure of their office. In addition, land equivalent to 2,000 produce index units can be retained by the land owner who had installed a tubewell or had owned a tractor before December 20, 1971. The reforms also envisage that the state agricultural lands are not to be sold by auction but would be leased out to the tenants. Under the new reforms, the terms of tenancy and share cropping have been modified in favour of the tenants. The tenants shall henceforth receive more income for the land cultivated by them.

59. The latest position with regard to the progress of land reforms under MLR 115 and 117 is as given in Table 7.

TABLE 7

Statement showing acreage resumed and disposed off under MLR 115 and 117

Category	Acreage resumed	Acreage disposed off
	(Thousand acres)	
Under MLR 115	746	108
Under MLR 117 (in Baluchistan only)	604	26
Undisposed off area under repealed MLR 64	1040	358
Other areas under MLR 115 (e.g. Shikargahs, stud farms, etc.)	234	82
State lands available for disposal	2662	129
Total ..	5286	703

During 1973-74 the programme of distribution of the acquired lands would be intensified with a view to completing it.

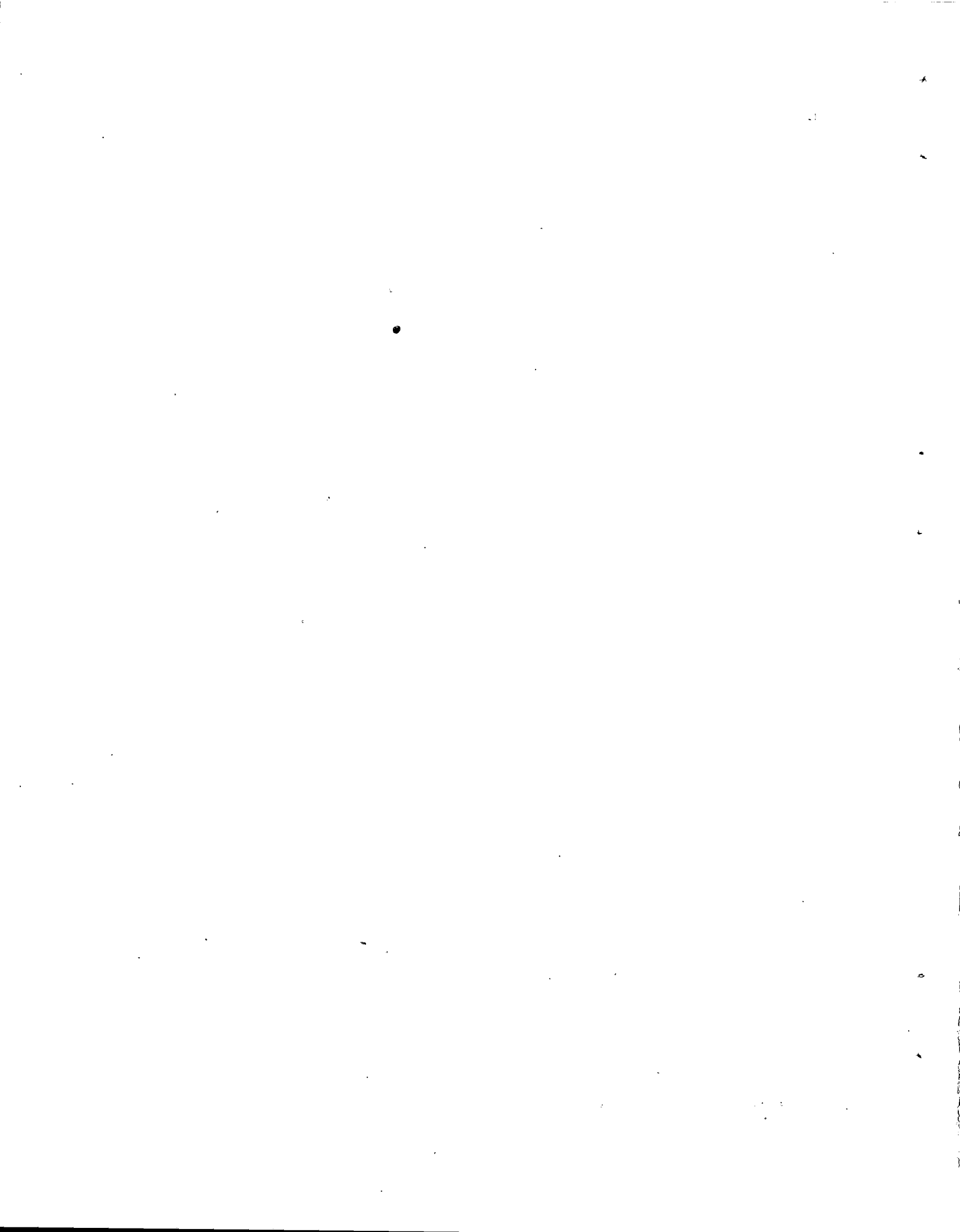
Integrated Rural Development Programme

60. This programme was initiated by the Government in 1972-73. In all, 65 "Markazes" have been established and various inputs are being provided to the farmers through these "Markazes". About 110 markazes are proposed to be established in all the four Provinces during 1973-74, where all the departments concerned with the rural development e.g. Agriculture, Animal Husbandry, Fisheries, Cooperatives, A.D.B.P. etc. will start functioning in a coordinated manner.

61. An Integrated Rural Development Advisory Council has been set up at the national level to review working of the programme and suggest measures for improvement. Efforts are being made to encourage establishment of Agro-based industries at the markazes.

Food and Nutrition Planning

62. The reports of the West Pakistan Nutrition Survey (1965-66), the Protein Committee (1968), the Inter-departmental Committee on Nutrition (1969) and the Fourth Five Year Plan have acknowledged that an adequate nutrition is one of the basic pre-requisite for economic development. The relationship of adequate nutrition with physical and mental fitness of children and labour productivity is well established. Therefore, the food requirements for consumption should be observed not only from the point of view of demand but also from the point of view of nutritional needs of the population. The Agriculture sector plays the major role in the improvement of the food and nutrition situation in the country. Therefore, the global food and nutrition planning is directed towards agriculture and then to the distribution. Apart from the global measures necessary for the improvement of the nutrition situation, special programmes for vulnerable groups are required.



ANNUAL PLAN FOR 1973-74
AGRICULTURE
SUMMARY — PAKISTAN

Appendix

(Crore rupees)

Category/Sub-sector	Total Allocation
I. Crop Production Sub-Sectors	
1. Fertilizers	24.95
2. Plant Protection	10.67
3. Improved Seed	0.52
4. Mechanization	7.36
5. Soil Surveys	0.29
6. Soil Conservation and Watershed Management	0.32
II. Other Sub-Sectors	
7. Animal Husbandry	3.24 (a-i, ii)
8. Range Management	0.54
9. Forestry	2.46
10. Fisheries	1.01 (a-i)
III. Infra-Structure and Institutional Arrangements	
11. Agricultural Extension	0.25
12. Research on Crop Production	1.08 (a-i)
13. Agricultural Education	0.93 (b)
14. Agricultural Economics and Statistics	0.27
15. Agricultural Marketing	0.16
16. Government Foodgrains Storage	0.83
17. Agricultural Credit and Cooperatives :	
(i) Cooperatives	0.46
(ii) Share Capital to A.D.B.P.	1.25
18. I.R.D.P.	2.38 (c)
19. Land Reforms	0.58
20. Kashmir Affairs Division	1.26
Total : ..	60.81

(a) (i) The Sind Government has suggested an allocation of Rs. 0.47 crore for animal husbandry, fisheries and research on crop production.

(ii) This includes an allocation of Rs. 0.03 crore for the schemes pertaining to College of Animal Husbandry, Lahore provided under Education Sector.

(b) This includes an allocation of Rs. 0.77 crore made for the schemes pertaining to West Pakistan Agricultural University, Lyallpur provided under Education Sector.

(c) This includes an allocation of Rs. 0.21 crore for I.R.D.P. shown under the Rural Development Sector in N.W.F.P.

ANNUAL PLAN FOR 1973-74

AGRICULTURE

SUMMARY—ALL PROVINCIAL PROGRAMMES

(Crore rupees)

Category/Sub-sector	Total Allocation
I. Crop Production Sub-Sectors	
1. Fertilizers	24.95
2. Plant Protection	6.85
3. Improved Seed	0.51
4. Mechanisation	7.14
5. Soil Surveys	0.15
6. Soil Conservation and Watershed Management.. .. .	0.32
II. Other Sub-Sectors	
7. Animal Husbandry	2.95 (a-i, ii)
8. Range Management	0.54
9. Forestry	2.45
10. Fisheries	0.71 (a-i)
III. Infra-Structure and Institutional Arrangements	
11. Agricultural Extension	0.25
12. Research on Crop Production	0.95 (a-i)
13. Agricultural Education	0.93 (b)
14. Agricultural Economics and Statistics	0.01
15. Agricultural Marketing	0.10
16. Government Foodgrains Storage	0.63
17. Agricultural Credit and Cooperatives	0.46
18. Integrated Rural Development Programme	2.38 (c)
19. Land Reforms	0.58
Total ..	52.86

(a) (i) The Sind Government has suggested an allocation of Rs. 0.47 crore for animal husbandry, fisheries and research on crop production.

(ii) This includes an allocation of Rs. 0.032 crore for schemes pertaining to College of Animal Husbandry, Lahore provided under Education sector.

(b) This includes an allocation of Rs. 0.768 crore made for the scheme pertaining to West Pakistan Agricultural University, Lyallpur provided under Education Sector.

(c) This includes an allocation of Rs. 0.208 crore for I.R.D.P. shown under the Rural Development Sector in NWFP.

ANNUAL PLAN FOR 1973-74

AGRICULTURE

SUMMARY—BALUCHISTAN

(Crore rupees)

Category/Sub-sector	Total Allocation
I. Crop Production Sub-Sectors	
1. Fertilizers	—
2. Plant Protection	0.15
3. Improved Seed	0.05
4. Mechanization	0.30
5. Soil Surveys	—
6. Soil Conservation and Watershed Management	0.05
II. Other Sub-Sectors	
7. Animal Husbandry	0.51
8. Range Management	0.40
9. Forestry	0.34
10. Fisheries	0.50
III. Infra-structure and Institutional Arrangements	
11. Agricultural Extension	0.05
12. Research on Crop Production	0.18
13. Agricultural Education	—
14. Agricultural Economics and Statistics	—
15. Agricultural Marketing	0.10
16. Government Foodgrains Storage	0.03
17. Agricultural Credit and Cooperatives	—
18. I.R.D.P.	0.20
19. Land Reforms	—
Total	2.86

ANNUAL PLAN FOR 1973-74
AGRICULTURE
SUMMARY — SIND

Category/Sub-sector	(Crore rupees)
	Total Allocation
I. Crop Production Sub-Sectors	
1. Fertilizers	1.73
2. Plant Protection	0.90
3. Improved Seed	—
4. Mechanization	1.24
5. Soil Surveys	0.05
6. Soil Conservation and Watershed Management	—
II. Other Sub-Sectors	
7. Animal Husbandry	0.47 (a)
8. Range Management	0.05
9. Forestry	0.48
10. Fisheries	(a)
III. Infra-Structure and Institutional Arrangements	
11. Agricultural Extension	—
12. Research on crop production	(a)
13. Agricultural Education	0.13
14. Agricultural Economics and Statistics	—
15. Agricultural Marketing	—
16. Government Foodgrains Storage	0.04
17. Agricultural Credit and Cooperatives	—
18. Integrated Rural Development Programme	1.26
19. Land Reforms	—
Total ..	6.35

(a) The Sind Government has suggested an allocation of Rs. 0.47 crore for animal husbandry, fisheries and research on crop production.

ANNUAL PLAN FOR 1973-74
AGRICULTURE
SUMMARY — PUNJAB

(Crore Rupees)

Category/Sub-sector	Total allocation
I. Crop Production Sub-Sectors	
1. Fertilizers ..	20.00
2. Plant Protection ..	5.27
3. Improved Seed ..	0.30
4. Mechanization ..	5.01
5. Soil Surveys ..	0.05
6. Soil Conservation and Watershed Management ..	—
II. Other Sub-Sectors	
7. Animal Husbandry ..	1.67 (a)
8. Range Management ..	0.08
9. Forestry ..	0.86
10. Fisheries ..	0.20
III. Infra-Structure and Institutional Arrangements	
11. Agricultural Extension ..	0.10
12. Research on Crop Production ..	0.47
13. Agricultural Education ..	0.77 (b)
14. Agricultural Economics and Statistics ..	—
15. Agricultural Marketing ..	—
16. Government Foodgrains Storage ..	0.50
17. Agricultural Credit and Cooperatives ..	0.25
18. Integrated Rural Development Programme ..	0.71
19. Land Reforms ..	0.52
Total ..	36.76

(a) A sum of Rs. 0.03 crore included under Education Sector.

(b) Included under Education Sector.

ANNUAL PLAN FOR 1973-74
AGRICULTURE
SUMMARY — N.W.F.P.

(Crore Rupees)

Category/Sub-sector	Total allocation
I. Crop Production Sub-Sectors	
1. Fertilizers	3.23
2. Plant Protection	0.54
3. Improved Seed	0.16
4. Mechanization	0.59
5. Soil Surveys	0.05
6. Soil Conservation and Water-shed Management	0.26
II. Other Sub-Sectors	
7. Animal Husbandry	0.30
8. Range Management	0.01
9. Forestry	0.77
10. Fisheries	0.01
III. Infra-Structure and Institutional Arrangements	
11. Agricultural Extension	0.10
12. Research on Crop Production	0.30
13. Agricultural Education	0.03
14. Agricultural Economics and Statistics	0.01
15. Agricultural Marketing	—
16. Government Foodgrains Storage	0.05
17. Agricultural Credit and Cooperatives	0.21
18. Integrated Rural Development Programme	0.21 (a)
19. Land Reforms	0.06
Total	6.89

(a) This includes an allocation of Rs. 0.208 crore for Integrated Rural Development Programme which are shown under the Rural Development Sector by the Province.

ANNUAL PLAN FOR 1973-74

SUMMARY — FEDERAL PROGRAMMES

(Crore rupees)

Category /Sub-sector	Total allocation
I. Crop Production Sub-Sectors	
1. Fertilizers	—
2. Plant Protection	3.62
3. Improved Seed	0.01
4. Mechanization	0.22
5. Soil Surveys	0.14
6. Soil Conservation and Water-shed Management	—
II. Other Sub-Sectors	
7. Animal Husbandry	0.29
8. Range Management	—
9. Forestry	0.01
10. Fisheries	0.30
III. Infra-Structure and Institutional Arrangements	
11. Agricultural Extension	0.00
12. Research on Crop Production	0.13
13. Agricultural Education	0.01
14. Agricultural Economics and Statistics	0.26
15. Agricultural Marketing	0.06
16. Government Foodgrains Storage	0.20
17. Agricultural Credit and Cooperatives :	
(i) Cooperatives	—
(ii) Share Contribution to A.D.B.P.	1.25
18. Integrated Rural Development Programme	—
19. Land Reforms	—
	Total ..
	6.69 (a)
	Kashmir Affairs Division ..
	1.26
	GRAND TOTAL ..
	7.95

(a) This does not include an allocation of Rs. 0.015 crore for the scheme entitled National Natural Histo-Museum, Islamabad, which relates to the Education Sector.

CHAPTER 11

WATER RESOURCES DEVELOPMENT

Of the total area of West Pakistan of 198.4 million acres, about 39 million acres are cropped annually to some degree. The area within the command of irrigation systems is about 33 million acres, of which upwards of 24 million acres are cropped annually. Notwithstanding that West Pakistan is a predominantly agricultural country and that a larger proportion of its lands is irrigated than in any other country of the world, it presently does not produce sufficient food to meet the needs of its people. The low crop yields are attributable, among others, to (i) insufficient water in a large part of the region resulting in under-irrigation ; (ii) inadequate natural and artificial drainage system, causing problems of waterlogging and salinity and (iii) wind erosion mostly in the southern and western Indus Plains and sheet and gully erosion in the sub-mountain region, causing damage to fertile lands.

2. The key to the solution of these problems is the development of additional water resources and an efficient drainage system. Irrigation and drainage was, therefore, given high priority in the developmental efforts during 1972-73, as had been the case during the preceding years of the current Plan and the various Plans in the past.

3. The development programme in the water sector is jointly executed by the Irrigation Departments of the four Provincial Governments, and the Water and Power Development Authority (WAPDA). By and large, WAPDA is responsible for the execution of the major development programme in this sector. With the disbandment of the Agriculture Development Corporation, however, the major surface drainage programme in Kotri Barrage and the administrative control of the Kotri and Guddu Barrages have been transferred to the Sind Irrigation Department.

4. Review of 1972-73

(a) *Financial*.—The Annual Plan for 1972-73 provided for the completion of the on-going projects so that the effects of investment made on these projects in the earlier Plans could be realised at the earliest. A sum of about Rs. 34.93 crore had been provided for the water sector programme of the four provinces, WAPDA and the Central Government agencies during 1972-73. In addition, about Rs. 82.43 crore were allocated for the Indus Basin Project/Tarbela Dam outside the Annual Plan.

(b) *Physical*.—According to the revised budgetary estimates, the financial and physical implementation of the water development programme during 1972-73 by the various provinces/executing agencies are briefly described below :

IRRIGATION DEPARTMENTS

(i) *Punjab*.—An amount of about Rs. 5.04 crore is estimated to have been spent by the Punjab Irrigation Department against the ADP allocation of Rs. 5.60 crore made during 1972-73, the overall utilisation being 90%. The main effort was directed towards completion of the on-going projects. Collection of river survey and discharge data of all the major rivers and streams was continued and several studies were carried out in the fields of hydrology and groundwater investigations. About 45 miles of new channels were constructed and 150 miles of existing channels were remodelled. About 29 miles of drains, 17 miles of link water courses and 7 miles of flood protection bunds were also completed, 112 tubewells were electrified during the year.

(ii) *Sind*.—Against the ADP provision of Rs. 3.78 crore (revised allocation Rs. 5.05 crore) during 1972-73, the revised estimates of the Sind Irrigation Department stand at about Rs. 4.74 crore, the utilisation thus being about 94%. The bulk of the provision was spent on the Kotri Surface Drainage Scheme, Kotri Barrage Irrigation Scheme, Guddu Barrage Irrigation Scheme, Constructing Link Canal downstream Outfall Regulators R. D. 10.8 K. B. Feeder Lower Construction of Qubo (Saifullah Magsi) Branch Ex-Khirthar Branch of N. W. Canal, Construction of bye-pass regulator at Kandiaro over Rohri Main Canal and Construction of Tail Regulator on Kandiaro Escape RD 22. Physical implementation up-to-date on these major projects is estimated to be of the order of 62.5%, 87%, 87%, 51%, 20%, 25% and 25% respectively.

(iii) *N.W.F.P.*—An amount of about Rs. 0.516 crore is estimated to have been spent by the NWFP Irrigation Department (including Small Dams) against the A.D.P. provision of Rs. 0.676 crore during 1972-73, the utilisation, therefore, being about 76.5%. The major projects which have made progress during the period are Badwan Kharif Irrigation Channel in Dir District, Nipki Khel Irrigation Scheme in Swat District, Gagra Flow Irrigation scheme in Bunir Area in Swat district, Shadi Khel Gravity Flow Irrigation Scheme, reboring of 13 tubewells in D.I. Khan district and installation of 5 tubewells in Peshawar District, construction of Darwazai Dam in Kohat district and construction of Tank Zam Flood Diversion Weir in D.I. Khan.

(iv) *Baluchistan.*—Against the A.D.P. provision of Rs. 1.384 crore, the Revised Estimate of the Baluchistan Irrigation Department stand at about Rs. 0.483 crore, the utilisation thus being about 35%. Ghazi and Mithri Irrigation Scheme were completed during the year. The other on-going irrigation schemes including pat feeder Project, Gurak Dat Irrigation Scheme, Peshi Irrigation Scheme, Gudursa Flood Irrigation Scheme, Sangsilla Irrigation Scheme and Lining and providing drainage works on Sarawan Channel.

WAPDA

A provision of Rs. 18.015 crore was made in the A.D.P. 1972-73 for the water sector programme under taken by WAPDA in the various Provinces. In addition, an allocation of Rs. 3.50 crore was also made by the Central Government for the Khanpur Dam and Karachi Irrigation Project (Hub Dam)

In pursuance of a Presidential directive, highest priority was given during the period to the energisation of 2437 tubewells that had already been installed under the various SCARPs but were awaiting electrification. A special allocation of Rs. 6.04 crore over and above the normal ADP was made by the Central Government for this purpose. By the end of June 1973, all such tubewells were energised except 461 tubewells of SCARP (Rohri North), the commissioning of which is linked with the availability of power generation from Guddu. These 461 tubewells are expected to be energised progressively during October to December, 1973. The break-up of the tubewells energised during 1972-73 is given below :

										Number of tubewells energised during 1972-73
SCARP II (Chaj Doab)	..	..	..	..	..	..	..	..	..	653
SCARP III (Lower Thal)	..	..	..	..	..	..	..	..	..	817
SCARP IV (Upper Rechna-Murdike Unit)				..	..	..	..	..	..	373
SCARP Pabbi	..	..	..	..	..	..	..	..	..	28
SCARP (Rohri North)	..	..	..	..	..	..	..	..	..	105
									Total	1976

In addition to the programme of energising the installed tubewells, work was started on the SCARP Larkana-Shikarpur (Stage II) to complete the tertiary drains that had been left over in the Stage I of the project, under which only the main and branch drains were completed.

The surface water projects, namely Khanpur Dam and Hub Dam progressed slowly due to inadequate budget releases as well as slow pace of work at site by the executing agency. The work on the minimum of Gandaf Tunnel which is a part of the proposed Pehur High Level Link Canal project in NWFP was undertaken. Work on the Gomul Zam Project was confined to maintenance of the ancilliary works already constructed. Surveys and investigations/Land compensation work was continued for the Chashma Right Bank Canal. The programme of general investigations comprising studies, surveys and investigation (including those of reverain areas) progressed satisfactorily in all the four Provinces. Work was also started on the 5th Tunnel on Left Bank at Tarbela.