Report No. 3328-PAK

Pakistan
Economic Developments and Prospects

April 10, 1981

South Asia Regional Office

Document of the World Bank

CURRENCY EQUIVALENTS

Effective February 16, 1973

Rs 9.00	=	US$1.00
Rs 1.00	=	US$0.10

May 12, 1972 to February 15, 1973

Rs 11.00	=	US$1.00
Rs 1.00	=	US$0.09

Prior to May 12, 1972

Rs 4.76	=	US$1.00
Rs 1.00	=	US$0.21

Note: Historical data in the report, including the Statistical Appendix, refer only to the present nation of Pakistan, i.e., the former West Pakistan, unless otherwise specifically noted.

EQUIVALENTS

Seer	=	2.057 lbs
Maund	=	82.286 lbs
Bale (raw cotton)	=	392 lbs

PRINCIPAL ABBREVIATIONS AND ACRONYMS USED

ADBP	-	Agricultural Development Bank of Pakistan
GOP	-	Government of Pakistan
IDBP	-	Industrial Development Bank of Pakistan
OGDC	-	Oil and Gas Development Corporation
PARC	-	Pakistan Agricultural Research Council
PICIC	-	Pakistan Industrial Credit and Investment Corporation
PIDE	-	Pakistan Institute of Development Economics
RAP	-	Revised Action Program for Irrigated Agriculture
SCARP	-	Salinity Control and Reclamation Project
WAPDA	-	Water and Power Development Authority

GOVERNMENT OF PAKISTAN
FISCAL YEAR

July 1 to June 30

FOR OFFICIAL USE ONLY

PAKISTAN

ECONOMIC DEVELOPMENTS AND PROSPECTS

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This report was prepared by a mission which visited Pakistan from mid-October to mid-November 1980, and comprised Messrs. S. M. P. Suriyaarachchi (mission chief), A. Elek, K. Caden, P. Popiel, A. Noor, Ms. I. Tsakok and Mrs. M. Maraviglia. Messrs. R. Clements and W. Rees also participated in the preparation of the report.

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COUNTRY DATA - PAKISTAN

AREA	POPULATION	DENSITY
803,943 km^2	81.5 million (mid-1980)	101 per km^2

POPULATION CHARACTERISTICS (1979)		HEALTH (1979)	
Crude birth rate (per 1,000)	42.9	Population per physician	5,257
Crude death rate (per 1,000)	13.0	Population per hospital bed	1,628
Infant mortality (per 1,000 live births)	105.0		
INCOME DISTRIBUTION (1971/72)		**DISTRIBUTION OF LAND OWNERSHIP**	
% of national income, highest quintile	42.7	% owned by top 10% of owners	..
lowest quintile	8.2	% owned by smallest 10% of owners	..
ACCESS TO SAFE WATER (1978)		**ACCESS TO ELECTRICITY (1973)**	
% of population	27	% of population - urban	54
		- rural	5
NUTRITION (1977)		**EDUCATION (1978)**	
Calorie availability as % of requirements	93	Adult literacy rate %	24
Per capita protein intake	54	Primary school enrollment %	54

GNP PER CAPITA IN 1977: US$200/1

GROSS NATIONAL PRODUCT IN 1979/80/2 — ANNUAL RATE OF GROWTH (%, constant prices)

	US$ billion	%	1969/70-1974/75	1975/76-1979/80	1979/80
GNP at market prices	25.05	100.0	3.5	6.1	7.8
Gross domestic investment	4.16	16.6	-5.5	4.8	2.2
Gross national saving	3.04	12.1	-2.1	8.9	8.3
Current account balance	-1.16	-4.6	.	.	.
Exports of goods, NFS	2.96	11.8	-3.5	7.9	21.3
Imports of goods, NFS	5.73	22.9	-7.1	11.4	4.1

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1979/80

	Value Added		Labor Force/3		V.A. Per Worker	
	US$ million	%	Million	%	US$	%
Agriculture	6,694	31	12.8	54	523	58
Industry	5,280	25	4.3	18	1,228	137
Services	9,299	44	6.6	28	1,409	157
Unallocated	.	.	.	.	.	.
Total/average	21,273	100	23.7	100	898	100

GOVERNMENT FINANCE

	General Government/4			Federal Government		
	(Rs billion)	% of GDP		(Rs billion)	% of GDP	
	1979/80/2	1979/80	1975/76-1979/80	1979/80	1979/80	1975/76-1979/80
Current receipts	39.4	17.0	15.9	30.1	13.0	12.1
Current expenditures	39.5	17.0	16.7	29.8	12.8	12.2
Current surplus	-0.1	0.0	0.8	0.3	0.2	-0.1
Capital expenditures/5	24.8	10.7	10.4	21.6	9.3	8.8
External assistance (net)	12.6	5.4	5.2	12.6	5.4	5.2

/1 Based on World Bank Atlas methodology and calculated at an average of 1976-78 prices and exchange rates. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.
/2 Provisional.
/3 Estimated labor force as on January 1, 1979; unemployed are allocated to sector of their normal occupation. "Unallocated" consists mainly of unemployed workers seeking their first job.
/4 Consolidated revenues and expenditures of Federal and Provincial Governments (excluding Federal-Provincial Government transfers).
/5 Excluding principal repayments of foreign loans. Capital expenditures as defined in government budget include certain current expenditures also.

. Not applicable.
.. Not available.

COUNTRY DATA - PAKISTAN

MONEY, CREDIT AND PRICES

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 [/1]
Money and quasi money [/2]	28.0	33.1	41.6	51.7	63.6	76.4	91.1
Bank credit to public sector	14.6	17.7	22.9	29.5	34.4	43.2	48.8
Bank credit to private sector	15.6	19.7	23.1	30.1	35.7	42.7	50.6
				(percentages or Index Numbers)			
Money and quasi money as % of GDP	34.8	31.6	34.3	38.1	40.6	43.0	43.3
General price index (1969/70=100)	170.9	211.3	229.4	255.3	271.4	289.7	316.7
Annual percentage changes in:							
General price index	32.8	23.6	8.6	11.3	6.3	6.7	9.3
Bank credit to public sector	..	21.2	29.4	28.8	16.6	25.6	13.0
Bank credit to private sector	..	26.3	17.3	30.3	18.6	19.6	18.5

BALANCE OF PAYMENTS

	1976/77	1977/78	1978/79	1979/80 [/1]
Exports of goods, NFS	1,404	1,651	2,107	2,964
Imports of goods, NFS	2,877	3,297	4,485	5,727
Resource gap (deficit = -)	-1,473	-1,646	-2,378	-2,763
Interest payments	-172	-183	-261	-285
Workers' remittances	578	1,166	1,395	1,743
Other factor payments (net)	15	62	134	154
Net transfers	..	..	..	..
Balance on current account	-1,052	-601	-1,110	-1,151
Direct foreign investment	..	..	..	..
Net MLT borrowing				
Disbursements	961	841	813	1,420
Amortization	-175	-122	-235	-310
Sub Total	786	719	578	1,110
Transactions with IMF [/3]	44	41	-14	78
Other items n.e.i. [/4]	24	163	238	325
Increase in reserves (-)	198	-322	308	-362
Gross reserves (end year) [/5]	372	694	386	748
Petroleum imports [/6]	413	497	611	1,237
Petroleum exports [/6]	27	63	56	178

MERCHANDISE EXPORTS (AVERAGE 1976/77-1979/80)

	US$ million	%
Raw cotton	135.4	8.5
Cotton yarn	157.0	9.8
Cotton cloth	199.1	12.4
Rice	313.3	19.6
All other commodities	795.6	49.7
Total	1,600.4	100.0

EXTERNAL DEBT, JUNE 30, 1980

	US$ million
Public debt, including guaranteed	11,209.9
Non-guaranteed private debt [/8]	..
Total outstanding and disbursed	11,209.9

DEBT SERVICE RATIO FOR 1979/80 [/7]

	US$ million
Public debt, including guaranteed	12.7
Non-guaranteed private debt	..
Total	12.7

IBRD/IDA LENDING (JUNE 1979) (Million US$)

	IBRD	IDA
Outstanding and disbursed	330.9	788.7
Undisbursed	60.7	444.1
Outstanding incl. undisbursed	391.6	1,232.8

RATE OF EXCHANGE

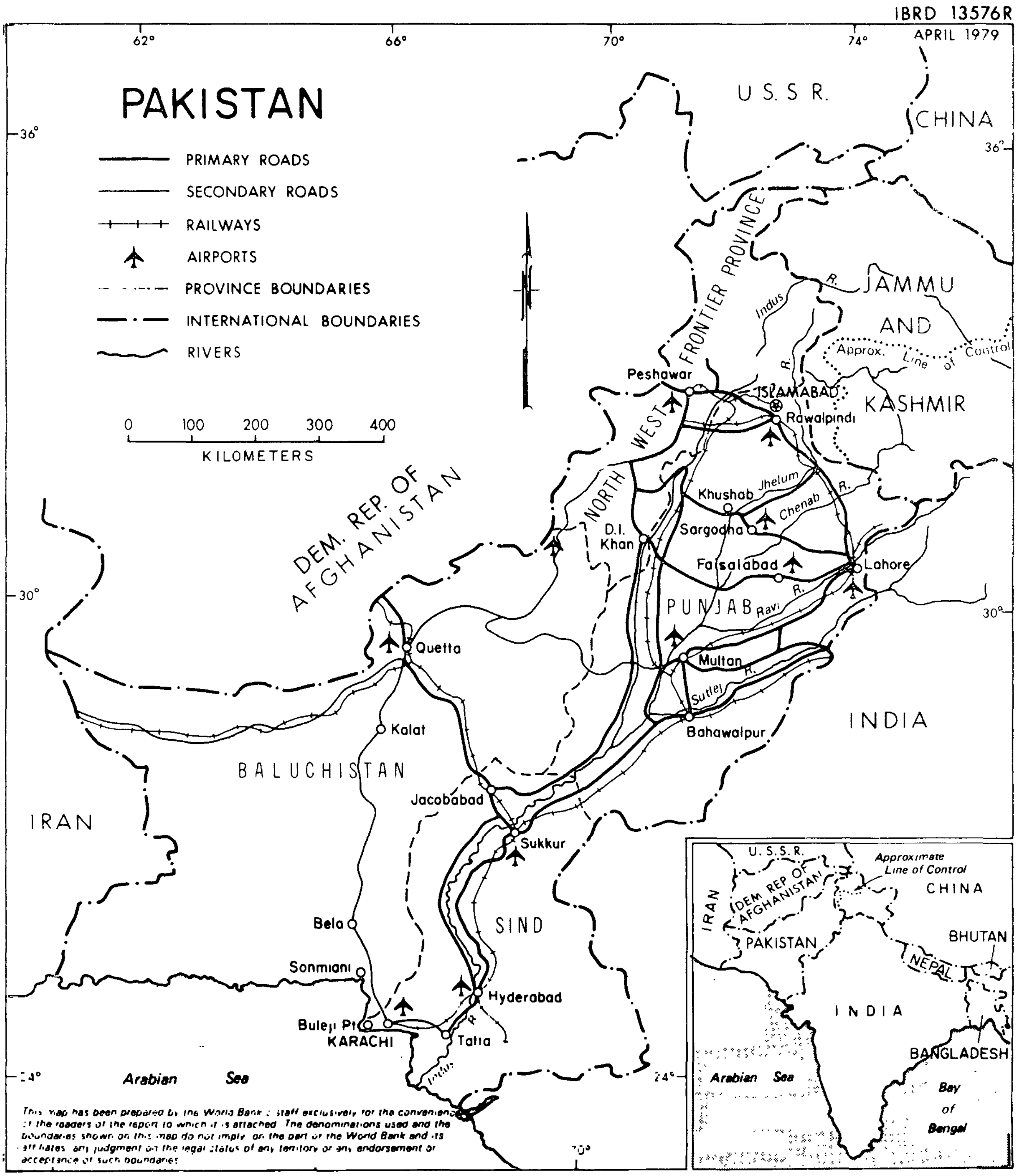
Through May 11, 1972
US$ 1.00 = Rs 4.7619
Rs 1.00 = US$ 0.21

From May 12, 1972-February 15, 1973
US$ 1.00 = Rs 11.00
Rs 1.00 = US$ 0.09

Since February 16, 1973
US$ 1.00 = Rs 9.90
Rs 1.00 = US$ 0.10

/1 Provisional.
/2 Monetary statistics of Pakistan have been fully adjusted for demonetized notes, devaluation and revaluation of the rupee, etc., as from June 30, 1975. Data for 1974/75, from State Bank resources are not strictly comparable with IMF estimates for earlier years.
/3 Including Trust Fund.
/4 Including net short-term borrowing and errors and omissions.
/5 Excluding gold reserves of about 1.8 million troy ounces.
/6 Crude and derivatives.
/7 Ratio of actual debt service to exports of goods, non-factor services and workers' remittances; debt service does not include short-term or IMF charges.
/8 Non-guaranteed private debt service is negligible.

. Not applicable.
.. Not available.


IBRD 13576R
APRIL 1979
PAKISTAN
PRIMARY ROADS
SECONDARY ROADS
RAILWAYS
AIRPORTS
PROVINCE BOUNDARIES
INTERNATIONAL BOUNDARIES
RIVERS
0 100 200 300 400
KILOMETERS
U.S.S.R.
CHINA
JAMMU AND KASHMIR
Approx. Line of Control
NORTH WEST FRONTIER PROVINCE
DEM. REP. OF AFGHANISTAN
Peshawar
ISLAMABAD
Rawalpindi
Indus R.
Jhelum R.
Chenab R.
Ravi R.
Sutlej R.
Khushab
Sargodha
D.I. Khan
Faisalabad
Lahore
PUNJAB
Multan
Bahawalpur
INDIA
Quetta
Kalat
BALUCHISTAN
IRAN
Jacobabad
Sukkur
SIND
Bela
Sonmiani
Hyderabad
Bulejı Pt
KARACHI
Tatta
Arabian Sea
62°
66°
70°
74°
36°
30°
24°
U.S.S.R.
Approximate Line of Control
CHINA
IRAN
DEM. REP. OF AFGHANISTAN
PAKISTAN
BHUTAN
NEPAL
INDIA
BANGLADESH
Arabian Sea
Bay of Bengal
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Preface

This report is in three sections:

- Part I provides a review of recent developments in the Pakistan economy, assesses short-term prospects and discusses the impact of recent government policy changes on key productive sectors (agriculture, industry and energy), the budget and the balance of payments.

- Part II discusses the main structural problems in the economy on which the Government must focus in order to provide a sound basis for long-term development; the prospects for growth and development if these problems are effectively addressed; and the levels of external assistance required to support such government reform efforts. Annex III provides more details on the economic projections discussed in this section.

- Part III provides an assessment of the Government's recent initiatives to contain the rapid growth in Pakistan's population, and of the health and education sectors. Critical actions for implementation of the new Population Plan are outlined in Annex IV.

The report has two other Annexes, in addition to the Statistical Appendix. Annex I to the report summarizes the preliminary findings of a study of the impact of labor migration from Pakistan to the Middle East; and Annex II describes the Government's measures to Islamize the economy.

SUMMARY AND CONCLUSIONS

General Economic Performance (Part I)

i. The past fiscal year--FY80--has witnessed further economic growth and consolidation in Pakistan. For the third successive year GDP grew by about 6%, with value-added in agriculture also rising by 6%, the highest rate of growth attained in this sector during the past decade, and in industry by 8%. Rapid output growth, especially of cotton and rice, helped to increase exports by over 40% in value and by about 22% in volume. The growth in exports, together with restraints on imports, a further sharp rise in remittances and extraordinary receipts from OPEC countries, enabled the Government to tide over a difficult external payments situation with some additions to its severely depleted foreign exchange reserves. The demand management policies pursued by the Government led to an improvement in the overall budgetary situation, in public savings (from 1% of GNP in FY79 to 3% in FY80) and in national savings (from 11% of GNP to 12%), and helped to bring down the rate of growth of money supply slightly. Domestic inflation was limited to around 10-12%.

ii. The prospects for continuing economic improvements during the current year--FY81--appear to be promising. A number of favorable developments in recent months, including an agreement on an Extended Fund Facility with the International Monetary Fund and a short-term debt rescheduling arrangement with bilateral creditors in the Pakistan Consortium, will help to alleviate the immediate pressures on the balance of payments. At the same time, the recent record of high growth in output is likely to be maintained. In agriculture, with reasonably good summer crops already harvested, a growth rate of 3-4% seems attainable provided another good wheat crop is obtained. With improved availability of imported inputs, additional capacity in key industrial sectors and continuing growth of domestic incomes, further industrial growth is likely to be achieved. An overall growth rate of about 5% seems likely.

iii. While the continuing economic recovery has again benefited from generally favorable weather, good export demand and higher remittances, the process of economic reform initiated in FY77 has been pursued with vigor during the past year and major decisions have been taken which have contributed to the improvement in the economic situation. These decisions were taken against a background of domestic and external uncertainties and indicate the Government's commitment to the reform process.

iv. Agriculture. Important changes in government policy towards agriculture have been initiated during the past 12-18 months. These changes involve a gradual phasing out of subsidies and increased emphasis on improvements to support services and on quick-yielding projects--for example, in areas such as on-farm water management and canal rehabilitation--to bring about increases in farm productivity. While per-acre yields have improved over the past few years, they generally remain well below achievable levels.

v. The measures taken so far to implement the new policy have included a sharp increase in retail prices of fertilizers; the elimination of the subsidy on pesticides in Punjab and Sind and a phased reduction in the other two provinces; the privatization of pesticide distribution in line with the

Government's intention to increasingly transfer responsibility for appropriate operations to the private sector; and increases in crop support prices during 1980 ranging from 9% for seed cotton, 17% for Basmati rice, 20% for wheat and Irri-6 rice and 29% for sugarcane in order to provide adequate incentives to farmers. A review of investment programs in the agricultural and water sectors has begun in the context of an overall review of public sector investment plans for the next three years.

vi. While these policy changes will benefit agriculture over the longer term, their short-term impact has been mixed. The increases in input prices were followed by a decline in fertilizer offtake and pesticide usage last summer. The declining trend of fertilizer offtake was arrested after the Government announced a substantial increase in the procurement price for wheat in October 1980. In addition to adjusting crop prices, the Government has increased the availability of agricultural credit in order to induce farmers to continue to increase the use of fertilizers. Promotional and extension activities have also been stepped up. Further determined efforts in all these areas will be necessary.

vii. Industry. Over the past few years the Government has strengthened industrial policy in order to stimulate output and exports and to revitalize the private sector, while reorganizing public industry and limiting new public investment in the industrial sector to the completion of major ongoing projects. These policies have begun to bear fruit. Industrial production increased markedly in FY80, particularly in the medium and large-scale sector, due mainly to increased availablity of inputs, additional capacity and improved capacity utilization, in turn reflecting investments in balancing and modernization. There was progress in improving financial performance and management of public enterprises, production and sales of which increased by nearly 30%.

viii. Parallel to this increase in production, a perceptible improvement in private sector investment interest has taken place. Investment approvals by project sanctioning authorities continued to rise sharply through FY80. While investors continue to show a preference for smaller-scale investments, several medium to large-scale projects, especially in the cement, fertilizer and chemicals subsectors, have been approved. A number of private investment proposals are now in various stages of implementation. However, private investment is still hampered by shortages of land, infrastructure and skilled manpower, labor problems, bureaucratic procedures and the availability of local and foreign financing. While the Government has endeavored to address these difficulties, problems remain of both an immediate and longer-term nature which could severely hamper the efficient development of the industrial sector. The improved industrial performance over the past three years represents no more than a modest recovery from the stagnation of the early and mid-1970s.

ix. Energy. As a predominantly oil importing country, Pakistan has been severely affected by the recent increases in international petroleum prices. Ninety percent of the country's petroleum requirements was imported in FY80, at sharply rising prices; net oil imports were equivalent to 37% of the trade deficit. The Government has attempted to encourage the use of domestic fuels--principally natural gas and hydro-electricity--in place of oil through price adjustments; and to increase domestic oil exploration and development to replace imports. In pursuit of this strategy, substantial investments have been made over the past few years in developing hydel generation and transmission facilities and in the gas distribution system. Successive adjustments to petroleum product prices have led to a decline in the use of kerosene by households. Overall oil consumption rose by 7% in FY80, principally due to a 13% increase for transport purposes.

x. Government policy has been successful in generating new domestic oil exploration activity, and 10 new agreements involving commitments to drill about 15-20 exploratory wells have been signed over the past few years. However, the recent progress of exploration in both the public and private sectors has been slow; and the rate of development of known fields has been disappointing. Domestic production of crude oil of around 10,000 barrels per day in FY80--about the same as in FY79--was far below the Government's expectations. An immediate review is required of the scope for faster development of existing fields and of the policy adjustments necessary to achieve this objective. Steps to strengthen longer-term energy planning should be initiated in parallel with this reassessment.

xi. Public Finances. The budgetary situation improved significantly during the past fiscal year. Government revenues, following increases of 21% in FY78 and 16% in FY79, rose by a further 25% in FY80 as a result of the continued growth of the economy, tax and tariff increases announced in the FY80 budget, and intensified efforts to improve tax collections. The ratio of current revenues to GNP rose from 14.7% in FY77 to 15.9% in FY80. Although political developments outside Pakistan's borders led to unplanned expenditures, tight restraints were maintained on total spending; the growth of public expenditures was limited to 12%. Both development and government administrative expenditures were cut back, while subsidies other than those on farm inputs were held to the previous year's level in nominal terms. The reduction in subsidies was made possible by a good wheat harvest as well as by increases in the ration shop price of wheat. These restraints on expenditures, continued revenue growth and some improvement in surpluses generated by public sector agencies helped to increase the availability of non-inflationary domestic resources. The overall budget deficit declined from 8.4% of GNP in FY79 to 5.9% in FY80; and domestic bank borrowing from 4.1% of GNP to 2.5%.

xii. This improvement is likely to be maintained during FY81. Current revenues are expected to grow by 26%, benefiting substantially from further growth of the economy, efforts to improve collections from existing taxes and increases in import duties anticipated from import liberalization. The Government intends to maintain tight restraints on current expenditures. Current subsidies are expected to decline by about Rs 1.1 billion, mainly due to adjustments in domestic consumer prices of wheat and sugar announced in the Budget and good domestic crops. The increase provided for non-subsidy expenditures, mainly defense, interest payments and administrative expenditures, is about 17%. Following the cutbacks of the past few years, development spending is projected to increase by 21% in nominal and by about 10% in real terms. The overall budget deficit is expected to be around 4.2% of GNP and the bank-financed budget deficit around 1.2%, both well below the ratios attained in FY80. The attainment of these goals would represent further significant progress in consolidating the recent budgetary improvement. However, some uncertainties remain about the budget position; the Government will need to monitor the situation closely and take measures to restrain expenditures and mobilize additional resources, if necessary, to ensure a satisfactory outcome.

xiii. Balance of Payments. From a low point in December 1979 when foreign exchange reserves fell below $200 million, the equivalent of two weeks' imports, the balance of payments situation improved gradually in FY80. A combination of policy actions and favorable circumstances assisted this recovery. Administrative restrictions on most imports were imposed in December 1979; exports rose by 42% in nominal terms and by 22% in real terms due to good crops and continued growth of exports of surplus POL products and of items produced by the small-scale industrial sector. In addition, there was a strong upsurge of remittances during the second half of the fiscal year. The current account deficit in FY80 was held to around $1.2 billion, almost the same level as in FY79 in nominal terms; as a proportion of GNP, it declined to 4.6% in FY80 compared to 6.8% in FY77. A marginal increase in net long-term capital inflows and substantial extraordinary receipts from OPEC countries (a $200 million loan from Saudi Arabia for the Zakat Fund and $220 million in deposits with the State Bank of Pakistan), together with some increase in short-term borrowings, helped to build up foreign exchange reserves to about $750 million at the end of FY80, the equivalent of six weeks' imports.

xiv. The slight improvement in the balance of payments situation during FY80 has been followed by a number of favorable developments during FY81. These have included the conclusion of an Extended Fund Facility arrangement with the International Monetary Fund in November 1980; a positive response from aid donors to the country's improved economic performance resulting in increased aid commitments and inflows; an agreement with bilateral creditors in the Pakistan Consortium for rescheduling of debt service payments on official concessional debt falling due over an 18-month period beginning mid-January 1981; continued good performance of major crops and exports; and a further surge in remittances, which are expected to exceed $2 billion this fiscal year. These developments have substantially altered the balance of payments outlook for FY81. While the current account deficit is expected to widen sharply to about $1.6 billion as a result of the recent liberalization of the import regime, the additional support available from the IMF and other sources is expected to limit the financing gap to about $189 million, a level which could be financed from reserves.

xv. Government projections for FY82 assume continued export growth at 6% per annum, somewhat lower import growth following the initial increases due to liberalization and workers' remittances remaining at present levels in real terms, leading to an expected current account deficit of about $1.5 billion. A financing gap of around $182 million is tentatively projected on the assumption that net aid inflows would rise by about 5% over FY81 levels in real terms. While reserves could be run down to meet this gap, this would not be desirable, since reserves at the beginning of FY82 are unlikely to exceed four weeks' imports. The currently forecast outlook for FY82 should not in any event be the only consideration in formulating decisions on aid levels to Pakistan. As discussed further below, substantial increases in net aid inflows will be necessary during the 1980s to complement the further efforts which the Government must make in order to sustain the process of economic reform now under way. This will require higher commitments of long-term assistance over the next few years.

Longer-Term Prospects (Parts II and III)

xvi. The successes achieved by Pakistan over recent years in strengthening the economy provide an opportunity for GOP to move away from a preoccupation with short-term stabilization problems and to focus on longer-term issues. A modest improvement in living standards in Pakistan over the next decade will require sustained increases in GDP in the order of 5-6% per year, since a growth rate of population of close to 3% per year can be expected for the 1980s, even though the Government has renewed its commitment to population planning. The achievement of such economic growth rates will in turn necessitate sustained increases in agricultural production of over 4% per annum, together with more rapid growth in the industrial and services sectors. The considerable investments which will be necessary to achieve such growth could be financed only if they are accompanied by concurrent efforts to promote savings and exports, while limiting imports through further economically sound import replacement; and by substantial additional external assistance. Given the present large gap between Pakistan's imports and exports, the resource gap would continue to widen even if exports grow 40% more rapidly than imports over the same period. If remittances continue to increase steadily in real terms, the current account deficit is likely to remain constant in real terms. While such a situation would represent a reduction of the current account deficit to just over 3% of GNP by FY88, the deficit in nominal terms would almost double to about $2.0 billion.

xvii. An accurate assessment of financing requirements over the medium term cannot be made in view of the many uncertainties which continue to face Pakistan. However, the analysis presented in this Report indicates that the maintenance of net aid inflows in real terms would be the minimum level of external assistance consistent with sustained economic growth in the order of 5-6%. In the absence of such support for GOP's policy reforms, growth targets would probably have to be revised downwards.

xviii. In agriculture, the challenge for the 1980s is to increase production faster than the expected rate of growth of population, starting from a base in 1980 which represents production peaks for most major crops attained under relatively favorable weather conditions. As indicated above, to achieve this objective the Government has adopted a revised policy which places reliance on improved efficiency in the use of inputs and diversion of resources from subsidies to support services and quick-yielding investments designed to improve the effectiveness of available physical assets. Several pricing decisions have already been taken in line with this revised policy and an Agricultural Prices Commission has been set up to coordinate the timing and extent of future changes in prices of key inputs and procurement/support prices for major crops. These pricing decisions will seek to maintain adequate incentives for farmers while ensuring that Pakistan's agricultural exports remain competitive in world markets and avoiding excessive inflationary pressures.

A replacement of the existing wheat ration system by government market operations would protect consumers while easing the burden on the Budget.

xix. Pricing reforms in agriculture will need to be backed by continued efforts to improve the logistics of input supply and to increase the availability of credit to meet the increased seasonal financing requirements associated with the reduction of subsidies. Greater attention will also have to be paid to the implementation of programs to improve the quality and relevance of agricultural research and extension services, and to the general rehabilitation and increased efficiency of the irrigation system, all of which are key elements of the Government's revised agricultural policy. Present expenditures on the maintenance of irrigation facilities are falling far short of needs; it would appear desirable to transfer such expenditures from the recurrent to the development component of provincial budgets in order to give priority to such spending and to facilitate the provision of support from the Federal Budget.

xx. The promotion of expansion in <u>private investment</u> is a necessary part of GOP's development strategy. Several actions are required to facilitate the desired rate of private investment, including steps to improve the availability of both local and foreign financing to the private sector; further streamlining of government procedures for approving investment proposals; more rapid provision of necessary utilities and other infrastructure requirements; training programs to ease the increasing shortage of skilled manpower resulting from migration to the Middle East; and early formulation of a new code to improve labor-management relations.

xxi. The promotion and appropriate direction of investment over the coming years will also require a careful review of the general policy framework. For a number of important products, GOP's current <u>pricing policies</u> essentially represent a cost-plus or fixed return approach, which has a number of important drawbacks. In a situation of continuing inflation, frequent and time-consuming negotiations of prices are required. Moreover, a policy which seeks to set producer prices to provide the minimum return deemed sufficient on a sector-by-sector, and sometimes on a firm-by-firm, basis prevents the pricing system from indicating where further investment is desirable in terms of contributing to economic growth. A gradual review of the present framework of pricing and fiscal incentives policies appears to be warranted starting with a number of vital import replacement sectors. Over time, it would be desirable to rationalize the general <u>incentive system</u> to bring about an increasing uniformity in the method and extent of effective protection provided to different sectors so that the system can steer investment towards sectors which are relatively more efficient.

xxii. Reconsideration is particularly necessary of pricing policies for products such as cement, fertilizers, oil and gas where the unit prices paid to producers are set well below international prices and, therefore, well below the value of these products to the economy. Imports of cement, petroleum and fertilizers have risen over the past three years, despite the potential for increasing domestic production at prices competitive with imports. This is placing a considerable burden on Pakistan's balance of payments.

While there are problems facing investors which are not connected with pricing issues, the appropriateness of a policy which provides a strong negative incentive for efficient import replacement needs to be carefully re-examined.

xxiii. Over the past three years improvements in the efficiency and profitability of public sector enterprises have been achieved through the implementation of a broad-based program of reforms, including increased delegation of authority accompanied by tighter reporting and accountability. These reforms need to be carried further. For example, an improved system for the collection of information needs to be established, together with clear, measurable criteria for assessing performance of individual units. At the same time, changes are necessary to ensure that the management of enterprises has positive incentives for improving performance measured in terms of these criteria. The widespread practice of setting prices on a cost-plus or fixed return basis provides no such incentives at the present time. Managers are also severely constrained by the continuing difficulty in attracting and retaining skilled and professional manpower, due to the relatively low remuneration in the public sector compared to the private sector, which in turn is finding it difficult to retain personnel because of the attraction of highly paid opportunities overseas. In view of these constraints, GOP should consider further divestment of smaller public companies in order to reallocate scarce managerial talent to achieve improvements in the performance of larger enterprises.

xxiv. A comprehensive program to remove distortions in pricing, improve performance criteria and increase efficiency in the public sector will require several years to implement. As an interim measure, substantial short-term improvements could be achieved by permitting units to revise prices so as to recover costs as announced by the Minister for Finance in the FY81 Budget Speech. However, care will need to be taken to ensure that this policy does not become a disincentive to improve efficiency in those public enterprises which are monopolies. Over the longer term, there will be no alternative to further improvements in efficiency in order to increase the contribution to public savings from the Government's massive investments in commercial enterprises.

xxv. Despite the recent disappointing progress, the prospects for increasing the domestic supply of energy through the development of oil and gas resources remain promising. The need to accelerate production has become particularly urgent in the case of natural gas. A shortfall in supply has already emerged and is likely to widen considerably in the next few years unless gas supplies are expanded rapidly. The slow pace of development of oil and gas fields in the public sector has been due partly to technical problems as well as institutional weaknesses of the Oil and Gas Development Corporation (OGDC). However, the problem of slow development extends beyond the public sector; development of known fields is also proceeding slowly in the private sector, although exploration is being undertaken to discover new fields. While oil produced from newly discovered fields receives international prices, "old" oil and natural gas prices are set on the basis of estimated expected average production costs plus a fixed return on capital. As noted above, such a pricing system has a number of important shortcomings. Its revision could contribute substantially to accelerate the development of Pakistan's oil and gas resources.

xxvi. The success of GOP's stabilization policies, combined with the availability of external resources provided by the recent EFF arrangement, have made it possible for the Government to draw up a revised three-year development program for FY82 to FY84. This exercise has been accompanied by a review of expenditures on ongoing projects in order to maximize the scope for shifting resources towards high-yielding, short-gestation projects, particularly in the agricultural, water and energy sectors. Increased funding for the social sectors, including for the new Population Plan, is also intended.

xxvii. The new three-year development program provides an operational linkage between the processes of planning and budgeting and could serve as a useful model for the future. The preliminary assessment of economic prospects for the 1980s presented in this Report serves to underline the considerable uncertainties regarding expected trends in both domestic and externally determined economic variables. Despite these uncertainties, it remains appropriate for GOP to design a perspective plan, setting out sectoral strategies and objectives, for the period following the end of the present Five-Year Plan in FY83. While such a plan would contain the sequence of projects which GOP would seek to implement in each sector, the exact pace of implementation would depend on the actual availability of resources which cannot be forecast with a reasonable degree of accuracy more than two to three years in advance. Accordingly, any long-term perspective plans beyond 1983 should be backed by shorter-term detailed expenditure programs. This could be achieved by "rolling over" the new three-year program on an annual basis.

xxviii. The Government has embarked on the implementation of a new comprehensive Population Plan which holds out the promise that the serious longer-term economic and social difficulties of rapid population growth may be more effectively addressed than in the past. The new Population Plan is based on a multi-sector approach which recognizes that a reduction in fertility rates requires fundamental changes in attitudes towards family size as well as extensive improvements in delivery services. The Plan's successful execution will depend upon an effective response in a number of areas, including increased opportunities for women's education and employment where programs are at present limited. The Government's full commitment to the implementation of the Population Plan will be of vital importance for an improvement in living standards in Pakistan in the years ahead.

PART I - RECENT TRENDS AND SHORT-TERM OUTLOOK

A. General Economic Peformance

1. The past fiscal year--FY80--has witnessed further economic growth and consolidation in Pakistan. The economic advance, which has now been sustained for three years, has proved to be more durable than the short-lived recoveries of the past decade, although financial and structural adjustment problems have continued to pose serious difficulties for the Government. The prospects for continuing economic improvements during the current year--FY81--appear to be promising. A number of favorable developments, including an agreement on an Extended Fund Facility arrangement (EFF) with the International Monetary Fund and on a debt rescheduling arrangement with bilateral creditors in the Pakistan Consortium, have occurred in recent months which will help to alleviate the immediate financial difficulties and improve the environment in which further economic reforms can be undertaken. As a result of these developments, the basis for further economic progress has been substantially strengthened. While the reform process will continue to present considerable problems to the Government, Pakistan's medium-term economic outlook appears to be significantly brighter now than it did a year ago.

2. The recent further improvements in economic performance have taken place against a background of domestic and external uncertainties. Political developments in Afghanistan have affected the economic situation in Pakistan through the need for increased expenditures on defense and refugees. Although the immediate financing of these expenditures seems manageable, the influx of refugees, currently estimated at about 1.6 million, is a potential major long-term problem. While the uncertain environment has been a major restraining factor on government decision-making, it is to the Government's credit that the process of economic reform has been pursued vigorously during the past year and major decisions taken which have substantially contributed to the improvement in the economic situation.

3. Economic performance during FY80 was encouraging in several respects. GDP growth, at factor cost, was around 6% for the third successive year. Substantial growth occurred in the major commodity producing sectors, with value-added in agriculture and industry rising by around 6% and 8% respectively. The agricultural growth rate attained during FY80, which was due partly to generally favorable weather and partly to supportive government policies, was the highest recorded during the past decade; while sustained export and domestic demand and expanded domestic production capacity helped industrial growth. Since value-added in construction, mining and electricity and gas also increased by over 11%, the overall growth in commodity producing sectors was about 7.4% in FY80, well above the rates attained in the past decade. In contrast, the services sectors, which provided the main impetus for growth in value-added in the preceding years, grew less rapidly in FY80; value-added in trade and transport rose by around 5.0%, mainly reflecting reduced wheat imports and slower growth of other bulk imports (e.g., fertilizer), while the Government's efforts to deal with its budgetary difficulties by curtailing public expenditures led to a somewhat slower growth in public administration.

Table I.1: GDP GROWTH BY SECTORS, 1969/70-1980/81

(Annual growth rates in constant 1959/60 prices)

	1969/70-1973/74	1973/74-1976/77	1976/77-1978/79	1979/80	1980/81 /a
Agriculture	1.5	1.6	3.4	6.0	4.1
Industry	4.1	0.9	7.0	8.1	8.0
Construction, electricity & gas	6.4	8.0	8.6	11.5	5.4
Trade and transportation	5.1	1.6	8.5	5.0	6.0
Public administration, defense	9.4	11.5	9.2	3.5	3.6
Other services	5.6	5.2	7.1	4.9	5.3
GDP at factor cost	4.1	3.3	6.4	6.2	5.3
Indirect taxes less subsidies	-3.8	11.3	0.8	28.5	22.2
GDP at market prices	3.4	3.8	5.9	7.9	6.9

/a Government estimate.

Source: Planning and Development Division.

4. Growth prospects for FY81 seem bright, although there are some major uncertainties. In agriculture, last year's exceptional performance will not be repeated; but with reasonably good summer crops already harvested, a growth rate of about 4% seems attainable, provided the winter wheat crop comes up to the Government's target. With improved availability of imported inputs following the liberalization of such imports recently, additional capacity coming into production, especially in fertilizer, cement and vegetable ghee, and continuing growth of domestic incomes, industrial growth is likely to be maintained unless the demand for Pakistan's exports is substantially affected in the coming months by recessionary conditions abroad. With continuing growth in construction and the services sectors, an overall growth rate of about 5% seems likely during the current year.

5. Parallel with the recent rapid output growth have been improvements in other macro-economic aggregates. Faced with severe domestic and external resource constraints, the Government has endeavored to limit public investment and overall consumption and to augment savings, while encouraging private investment at the same time. Public investment showed little increase in FY80, even though substantial investments of a somewhat exceptional nature were made by some public sector organizations (specifically Pakistan International Airlines and Pakistan National Shipping Corporation, which spent Rs 3.2 billion, the equivalent of 8% of public investment, in purchasing ships and passenger aircraft during FY80). However, private investment rose by 6% in real terms, the first notable such increase during the past 3-4 years (Table I.2). This increase was mainly confined to transport and housing; private investment in

agriculture remained at much the same level as in the previous year and continued to decline in industry. However, there are indications that the Government's efforts over the past three years to stimulate private investment in the large-scale manufacturing sector are beginning to bear fruit and that a modest revival of private investment in this sector is under way. Notwithstanding the improvement in private investment, total gross fixed investment, in real terms, increased by only 2% in FY80; and the ratio of gross fixed investment to GNP remained at 15.8% (Table I.3).

Table I.2: GROWTH RATES IN REAL GROSS EXPENDITURES AND SAVINGS, 1969/70-1979/80

(% per year at 1969/70 prices) /a

	1969/70-1973/74	1973/74-1976/77	1976/77-1978/79	1979/80
Consumption	4.3	3.2	7.0	7.4
Private	4.6	2.8	6.8	7.7
Public	2.2	6.6	8.8	4.9
Investment (including stock changes)	-9.8	12.7	1.9	2.2
Gross fixed investment	-8.6	15.3	0.4	1.9
Private	(-12.0)	(7.7)	(0.7)	(6.2)
Public	(-4.8)	(19.2)	(0.3)	(0.2)
External Balance	10.4	-6.4	-24.4	16.0
Exports	-6.2	1.6	13.1	21.3
Imports	-8.2	3.5	17.9	4.1
GDP at market prices	3.4	3.8	5.9	7.9
Net factor incomes from abroad	-	56.1	63.6	2.8
GNP at market prices	3.5	4.2	6.7	7.8
Savings				
Gross domestic savings	-6.4	15.7	-8.4	16.5
Gross national savings /b	-5.4	16.2	6.8	12.1

/a These estimates are derived from the current price series provided by the Planning and Development Division (Statistical Appendix, Table 2.4), but differ from the Division's constant (1969/70) price estimates due to differences in the treatment of net factor incomes and the use of different deflators for investment. See notes to Statistical Appendix, Tables 2.4 and 2.5.

/b Given the large inflow of net factor incomes from abroad, the appropriate measure of savings in the Pakistan economy is national, rather than domestic, savings.

Sources: Planning and Development Division and Bank staff estimates.

Table I.3: EXPENDITURES AND SAVINGS RATIOS, 1969/70-1979/80

(% of GNP at current market prices) /a

	1969/70	1973/74	1976/77	1978/79	1979/80
Consumption	91.0	92.9	88.9	88.7	87.9
Private	80.9	83.2	78.6	78.2	77.7
Public	10.1	9.7	10.3	10.5	10.1
Investment (including stock changes)	15.8	13.3	17.8	16.6	16.6
Gross fixed investment	14.3	12.1	17.2	15.8	15.8
Private	(7.3)	(4.4)	(5.1)	(4.7)	(4.9)
Public	(7.0)	(7.7)	(12.1)	(11.1)	(10.9)
External Balance	-6.7	-7.1	-9.5	-11.4	-10.8
Exports	7.8	13.5	9.0	10.2	12.0
Imports	14.6	20.7	18.5	21.6	22.8
Savings					
Gross domestic savings /b	9.0	6.3	8.6	5.5	6.2
Gross national savings	9.0	7.1	11.1	11.3	12.1

/a See notes to Table I.2 and Statistical Appendix, Table 2.4.
/b As percent of GDP at market prices.

Sources: Planning and Development Division and Bank staff estimates.

6. Total consumption rose by 7.4% in real terms during the year, somewhat less rapidly than the growth of GNP. While public consumption was restrained by the Government, private consumption continued to grow rapidly by 7.7%, even though several tax and price increases and other demand management measures were introduced during the year to limit private consumption. These measures, however, transferred substantial resources from the private to the public sector and, together with expenditure restraints, helped to improve public savings from 1.0% of GNP in FY79 to 2.9% in FY80. Nevertheless, national savings rose only marginally from 11.3% of GNP to 12.1% over the year, as private savings as a proportion of GNP continued to decline; as a result, the overall level of savings remained very low.

7. The budgetary situation improved during the past fiscal year. Continued growth of current revenues, tight restraints on expenditures and some improvement in surpluses generated by public sector agencies helped to increase the availability of non-inflationary domestic resources substantially. As a result, the proportion of development and total spending financed from non-inflationary domestic resources rose markedly during the year. Correspondingly,

the overall budget deficit declined from 8.4% of GNP at market prices in FY79 to 5.9% in FY80; and domestic bank borrowing 1/ from 4.1% of GNP to 2.5%. The improvement in the budgetary situation, however, fell short of the Government's earlier expectation of a bank-financed deficit of around 1.5% of GNP.

8. The balance of payments remained under considerable pressure during the year. Rapid output growth, particularly in cotton and rice, helped to increase exports further, following two years of good growth, by over 40% in value terms and by about 22% in volume terms. Import growth was contained to about 2% in volume terms through demand management policies, improved domestic production, especially of wheat, and restraints on private sector imports. However, sharp increases in import prices of petroleum, fertilizer and other items resulted in an overall increase in imports in current prices of about 27%. A further substantial increase in remittances from $1,395 million in FY79 to $1,743 million in FY80 helped to limit the current account deficit to $1.2 billion, or 4.6% of GNP in FY80, compared with 5.4% in FY79 and 6.8% in FY77; together with additional gross inflows from Consortium donors and the IMF and extraordinary receipts from OPEC countries, this enabled Pakistan to build up its extremely low gross reserves by $373 million to about $750 million by the end of the year, the equivalent of six weeks' imports.

9. Lower government bank borrowing reduced the rate of growth of money supply slightly to 19% during FY80 (Table I.4). Nevertheless, monetary expansion continued to exceed production growth. Two other major factors contributed to accentuate domestic price pressures. Import prices, not only of petroleum but also of several other products, e.g., fertilizer and edible oils, went up sharply during FY80. These increases led to corresponding adjustments in domestic prices. In addition, prices of a number of other commodities (e.g., sugar and cement) and tax and tariff rates (e.g., on natural gas, electricity and postal charges) were raised by the Government for budgetary reasons. These developments affected the structure of domestic costs and prices, especially of energy, transport, domestic manufactures and imported consumer goods. The substantial growth in domestic agricultural production, however, helped to moderate the rate of inflation, particularly for food items. Thus, the overall rate of inflation, as measured by official indices of wholesale and consumer prices and the GNP deflator, was limited to around 10-12% in FY80. Given the limitations of these indices as an accurate measure of price changes in Pakistan, 2/ the true rate of inflation in the economy is likely to have been somewhat higher but not overly high for an economy considerably exposed to international trends at a time of rapid increases in import prices.

1/ Including commodity financing, total government borrowing from the banking system declined from Rs 9.5 billion or 4.6% of GNP in FY79 to Rs 7.4 billion or 3.0% of GNP in FY80.

2/ For a discussion on this subject, see pp. 5-6, World Bank Report No. 2860-PAK, "Pakistan: Economic Developments and Prospects," April 15, 1980.

Table I.4: PRICES AND MONEY SUPPLY, 1973/74-1979/80

(% change over previous year)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Price Indices:							
Wholesale prices	33	24	9	11	6	7	9
Consumer prices	30	27	12	9	7	9	10
GNP deflator	24	25	12	10	11	6	12
Domestic prices of imports /a	45	49	-5	-	7	4	22
Money Supply	13	18	26	24	23	20	19

/a These show same rate of change as import prices in US dollars since the exchange rate vis-a-vis the US dollar remained unchanged.

Sources: Statistics Division and State Bank of Pakistan.

10. GOP is continuing to pursue economic policy improvements which are designed to maintain the progress achieved over the past few years. The Government is currently preparing a revised three-year investment program giving priority to quick-yielding investments designed to improve productivity and capacity utilization, and particularly to the agricultural, water, energy and the social sectors and the development of backward areas. Other actions have been taken to set more appropriate pricing incentives to agricultural producers, to improve the performance of public enterprises, encourage private investment and industrial production, and to increase domestic energy production and conservation. GOP has taken steps towards import liberalization and is providing additional incentives to selected exports as part of a program to achieve continued growth of output. There is to be continued restraint on borrowing by the Government and further efforts to increase domestic savings. These policies are expected to maintain an average annual GDP growth rate in real terms of 5-6% p.a. An Extended Fund Facility arrangement has been negotiated which is expected to provide $1.7 billion in the form of balance of payments support over a three-year period. The EFF arrangement will substantially reduce the financing gaps that were previously in prospect for the next few years and permit the reform process to be continued with vigor.

11. In summary, progress in several areas was made over the past year, building on the process of economic rehabilitation and recovery initiated three years ago. Economic growth has been impressive, with sustained export growth and modest improvements in private investment, public savings, the overall budgetary situation and the balance of payments. These advances are being continued during the current year.

12. The recent favorable developments represent modest, though welcome, steps towards the solution of a set of problems which are essentially structural and long term in nature. Projections by Bank staff indicate that, notwithstanding these improvements, the overall resource situation will remain tight over the next few years and that further wide-ranging improvements and structural reforms would be required if Pakistan is to avoid a recurrence of severe economic difficulties that characterized the past several years and sustain its recently improved development effort over the longer term. The major elements of the reform program that would have to be undertaken by the Government over the next few years are discussed in Part II of this report.

B. Agriculture

Recent Performance

13. Rapid growth in agriculture provided the major stimulus for the continued advance of the economy in FY80. Following modest but steady improvements during the two preceding years, value-added in agriculture rose by 6.0% in FY80, the highest rate of growth attained in the sector during the past decade. This improvement was mainly due to the excellent performance of major crops, the production of which increased by 7.6% during the year (Table I.5). There were also notable increases in the production of minor crops, especially potatoes and onions.

Table I.5: GROWTH IN VALUE-ADDED IN AGRICULTURE, 1969/70-1980/81

(% per annum)

	1969/70-1975/76 /a	1976/77	1977/78	1978/79	1979/80	1980/81 /b
Overall	1.7	2.5	2.5	4.2	6.0	4.1
Major crops	0.7	1.4	2.1	5.2	7.6	4.5
Minor crops	1.9	4.4	2.4	2.4	5.5	4.5
Other /c	1.5	3.7	3.3	3.1	3.4	3.3

/a Annual average growth rate.
/b Government estimate.
/c Livestock, fishing and forestry.

Source: Planning and Development Division.

14. Record harvests in wheat and cotton, representing a 54% increase in the latter over the pest-affected crop of FY79, and another good rice crop contributed to the strong growth of major crops in FY80 (Table I.6). Sugarcane production, however, although slightly better than that of the preceding year, continued to be well short of the peak attained in FY78.

Table I.6: PRODUCTION OF MAJOR CROPS, 1969/70-1980/81

Production	1969/70-1975/76 /a	1976/77	1977/78	1978/79	1979/80	1980/81 /b
Wheat ('000 metric tons)	7,441	9,144	8,367	9,950	10,757	11,440
Cotton ('000 bales)	3,450	2,446	3,233	2,662	4,096	4,035
Rice ('000 metric tons)	2,368	2,737	2,949	3,272	3,216	3,054
Sugarcane ('000 metric tons)	22,874	29,523	30,077	27,326	27,498	32,200

/a Average for the period.
/b Preliminary government estimates, except in the case of wheat where government target is estimated.

Source: Planning and Development Division.

15. During the current year--FY81--production levels have been maintained in the case of cotton, while the sugarcane output, a new record, is estimated to be about 17% higher than in FY80; the rice crop, however, declined by about 5% mainly due to a shift of acreage from relatively high-yielding coarse rice to low-yielding, high-value Basmati rice. Wheat production data will not be known until May, but current indications are that the crop is likely to be around the Government's target.

16. Recent good harvests have had a favorable impact on domestic food availability and the balance of payments. The good crops helped to significantly reduce wheat imports in FY81; the pressures on the ration system and the Government budget through wheat subsidies were also considerably eased. If recent progress is maintained and this year's wheat production target of 11.4 million tons is achieved, self-sufficiency in wheat by FY83, 1/ a major goal of government agricultural policy, seems within reach.

17. An encouraging feature of the continued recovery in agriculture is the sustained improvement in per-acre yields, which contrasts markedly with the erratic fluctuations of the early and mid-seventies. While the earlier increases in production and yields during the present recovery phase represented a rebound from the depressed levels of the early and mid-seventies, yields have been maintained or even increased during the past two years after reaching new production peaks in most major crops. In wheat, the recent

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1/ To maintain per-capita availability of wheat at current levels--0.7 lbs. per day--and to build up a reserve of about 2.0 million tons, a wheat crop of about 11.5-12 million tons is required.

increases in production were due more to yield than to acreage increases. Yield improvements have been smaller, but nevertheless positive, in both sugarcane and cotton.

Table I.7: INDICES OF ACREAGE AND PER-ACRE YIELDS OF MAJOR CROPS, 1969/70-1980/81 (1969/70=100)

	1969/70-1970/76	1976/77	1977/78	1978/79	1979/80	1980/81
Acreage						
Wheat	97.3	102.6	102.1	107.3	110.2	110.7 /a
Rice	95.9	107.9	117.1	124.9	125.4	117.9
Cotton	107.3	106.2	105.0	107.7	115.9	116.9
Sugarcane	100.5	127.0	132.6	121.4	115.9	133.3
Yield Per Acre						
Wheat	104.9	122.0	112.6	126.8	133.9	141.7
Rice	102.9	105.6	104.3	108.7	106.2	107.4
Cotton	106.6	75.8	103.0	81.8	115.1	112.1
Sugarcane	86.4	88.1	86.0	85.4	89.8	94.3

/a Government target.

Source: Planning and Development Division.

18. However, despite recent improvements, a significant gap remains between actual and potential yields. Yields could be technically doubled or trebled in most crops. Wheat yields, which have grown consistently during the past decade, are still among the lowest in the world. Since substantial increases in cultivable land area is unlikely in the near future, sustained agricultural growth depends primarily on improving agricultural productivity and yields, which remains a major task of agricultural policy in Pakistan.

19. The continued growth in agriculture has benefited from favorable weather and from past investments in irrigation. Weather during the past few years has generally been more conducive to crop production than in the early and mid-seventies, even though the cotton crop suffered from heavy rains in FY77 and FY79 and the wheat crop from rust attacks in FY78. The completion of the Tarbela Dam and continued public and private investments in groundwater development have improved the country's capacity to cope with droughts and helped to minimize their disruptive effects on crop production.

20. As important as these factors have been, government policies have contributed significantly to the recent improvements in the agricultural sector. In addition to supporting agriculture through extensive investments in water resource development, the Government has attempted since FY77 to revitalize agriculture by providing increased quantities of subsidized inputs--pesticides, seeds, credit and especially fertilizer--in a timely and effective manner and by price incentives in the form of increased support prices to farmers. While

the policy of heavily subsidizing fertilizer has created severe budgetary difficulties and preempted resources from other highly desirable investments in the agricultural sector, fundamental changes in agricultural policy have been initiated during the past 12-18 months to address these and other problems.

21. The Revised Action Program for Irrigated Agriculture (RAP), prepared in May 1979 after a major review of agricultural development in the Indus Basin, 1/ embodied recommendations regarding agricultural policy which generated intense discussion and debate in Pakistan and within the Government. The Government has essentially endorsed RAP's recommendations and issued a National Agricultural Policy statement incorporating the major elements of RAP in February 1980. The Government has taken several important measures to implement these new policy directions, aimed particularly at reducing input subsidies in order to release resources for other high priority purposes, to provide adequate incentives to producers through appropriate output price adjustments, and to transfer activities to the private sector wherever feasible. These measures, announced mainly in the spring of 1980 and reinforced by subsequent decisions, include a 50% increase in retail prices of fertilizer; a 25% increase (from Rs 40 to Rs 50 per ton) in margins allowed to fertilizer dealers other than cooperatives and a nearly 50% increase for cooperatives; the privatization of the import and distribution of pesticides and the elimination of the subsidy on pesticides in Punjab and Sind (in the other two provinces, the subsidy is to be phased out over three years); and increases in crop support prices during 1980 ranging from 9% for seed cotton, 17% for basmati-paddy, 20% for wheat and Irri-6 rice and 29% for sugarcane.

22. As from July 1, 1980, the fertilizer subsidy was separated from the development budget for agriculture in an effort to protect allocations for other priority agricultural projects and programs. The Government has also begun a review of the investment programs in the agricultural and water sectors, in the context of a review of its overall investment program for the next three years, to redirect resources towards high priority areas. At the same time, the Government's policy of ensuring adequate and timely supply of key agricultural inputs, and efforts to strengthen support services to and coordinate the activities of government departments involved in agriculture, have been continued.

23. While these policy changes are in the right direction and will benefit agriculture over the longer term, their short-term impact has been mixed. Although the sharp increase in fertilizer prices has helped to limit the growth of the fertilizer subsidy, it affected fertilizer offtake, especially during the FY81 Kharif 2/ season; fertilizer deliveries to dealers during Kharif,

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1/ Undertaken by the Master Planning and Review Division (now the Perspective Planning Division) of the Pakistan Water and Power Development Authority (WAPDA), with assistance from consultants. The study was financed by UNDP, with the World Bank as executing agency.

2/ Kharif is the summer crop season in Pakistan beginning in early spring and ending early fall.

which had grown by 12% annually since FY77, declined by 7% in FY81, despite the adjustments in output prices for summer crops and in fertilizer dealers' margins. There is little direct evidence, however, that the reduced fertilizer offtake adversely affected the summer crops. This supports the view that there was probably some stock-building by farmers in anticipation of the fertilizer price increase, so that actual fertilizer usage probably was not affected to the same extent as dealer offtake. There were substantial provincial differences, with offtake in Punjab declining by 16% and in Baluchistan by 7%, while increasing in Sind by 10% over the levels of FY80. It is possible that the higher cost of fertilizer induced greater care and efficiency in fertilizer use and, together with favorable weather, offset the reduction in quantities applied.

24. The situation with regard to pesticide use during FY81 Kharif is unclear. With a quadrupling of pesticide prices following the removal of the subsidy (which amounted to 75% of cost) and the change in the distribution system, some decline in the use of pesticides probably took place. The impact of this decline on crop production, however, was evidently not serious because of exceptionally good weather (except for Irri-6 rice) which limited pest infestation; and because of the relative ineffectiveness of past pesticide use on account of misapplication and waste, problems with timing of spraying and the quality of pesticides and equipment used.

25. The Government has endeavored to provide adequate credit and output prices to farmers, coupled with more vigorous efforts by extension staff and publicity campaigns, to encourage the continued growth in fertilizer use. The allocation of credit to agriculture was increased from Rs 2.3 billion in FY80 to Rs 4.5 billion in FY81 (Table I.8). Within this total, interest-free credit, channeled mainly through cooperatives, was planned to rise from Rs 400 million to Rs 2.3 billion this year, much of it for the winter wheat crop. While supervised in-kind credit appears to be a cost-effective and efficient method of encouraging fertilizer usage and assisting small farmers, there are doubts whether the proposed rapid increase in the volume of credit can be organized and delivered effectively to the main target groups, i.e., farmers with holdings below 25 acres, even though the network of agricultural cooperatives is being expanded rapidly. The institutional efforts that are necessary to supervise and recover these loans are considerable; the high recovery rates attained last year on a smaller credit volume and by inducting several government departments into this task may be difficult to replicate on this year's planned scale of lending. Since the eventual repayment to the State Bank of credit channeled through the cooperatives is guaranteed by the Provincial Governments, low rates of recovery from farmers would increase subsidy costs and add to budgetary difficulties.

Table I.8: SUPPLY OF AGRICULTURAL CREDIT, 1976/77-1980/81

(million rupees)

	1976/77	1977/78	1978/79	1979/80	1980/81 /a
ADBP /b	639	431	417	712	1,000
Commercial banks	970	1,278	1,381	1,016	2,072
Agricultural cooperatives	139	139	414	596	1,403
Taccavi loans	13	9	12	8	14
Total	1,761	1,857	2,224	2,332	4,489
Of which interest-free credit /c	-	-	200	400	2,263
Annual Growth Rate - %					
Total credit	20	6	20	5	93
Interest-free credit	-	-	-	100	466

/a Target for 1980/81.
/b Agricultural Development Bank of Pakistan.
/c For purchase of seasonal inputs, i.e., fertilizer, seeds and pesticides.

Source: Planning and Development Division.

26. In order to compensate farmers for increases in the cost of fertilizer and other inputs, the Government has continued to adjust crop support prices (Table I.9) before the sowing of each crop. Following a 3% increase in March 1980, the wheat procurement price was raised by a further 16% last October; this latter increase, however, should probably have been announced several weeks earlier to have maximum effect on farmers' preparations for the FY81 wheat crop. In general the price adjustments made during the past two years have been substantial for all major crops. The ratio of domestic to border prices declined somewhat for wheat and sugarcane, mainly because of sharper increases in external prices. However, GOP remains committed to further adjustments to bring domestic procurement or support prices into line with long-term average prices on the world market.

Table I.9: FERTILIZER AND AGRICULTURAL OUTPUT PRICES, 1976/77-1980/81

	1976/77	1977/78	1978/79	1979/80	1980/81 /a
Domestic Sale /b					
Procurement Prices					
Fertilizer - urea (Rs/ton)	1,300	1,360	1,280	1,260	1,860
Wheat (Rs/maund)	37	37	45	46.65	54.12
Seed cotton /c (Rs/maund)	125	138	138	138	149
Rice - Basmati (Rs/maund)	90	95 /e	110	110	127.82
- Irri-6 (Rs/maund)	-	46	49	56	67.19
Sugarcane (Punjab) (Rs/maund)	5.75	5.75	5.75	7.00	9.00
Domestic Prices as % of					
Border Prices /d					
Fertilizer - urea	82	74	65	47	64
Wheat	75	77	77	79	75
Seed cotton	61	107	100	92	95
Rice - Basmati	-	56	40	50	61
- Irri-6	-	47	54	50	50
Sugarcane	180	221	160	95	72

/a Domestic prices for FY81 were announced in February/March 1980. The wheat price was further raised in October 1980.
/b Sale prices refer to fertilizer only.
/c Seed cotton variety AC-134, NT. For other varieties, FY81 price ranges from Rs 145.56 per maund for Desi to Rs 169.82 per maund for Sarmast, Qallandria.
/d Border prices are Karachi f.o.b. (for export) and c.i.f. (for import) adjusted for transport, handling and processing costs from farmgate to port.
/e Rs 105 per maund for superior grade rice from automatic plants.

Sources: Planning and Development Division, Statistics Division and Bank staff estimates.

27. What impact these price adjustments have had on farmers' incentives is difficult to assess accurately at this stage. Reliable and up-to-date farm budget data required for such analysis are not currently available. Given the wide variety of agro-climatic conditions and the differentials which prevail between crops, farms of different sizes and farmers' efficiency, available information on input use, cropping patterns, yield levels, farm incomes, etc., is subject to wide margins of error. Nevertheless, subject to these limitations, a tentative assessment by Bank staff of recent price changes in farm incomes of a typical "leading" farmer (defined as belonging to the upper 10% of farmers) and of an "average" farmer (defined as a farmer with yields at the national average), both operating 12.5 acre farms, is shown in Table I.10.

Table I.10: TRENDS IN NET/CASH RETURNS PER ACRE, /a 1979/80 AND 1980/81

(rupees)

	Leading Farmer			Average Farmer		
	Gross /b Return	Production /c Cost	Net Return	Gross /b Return	Production /c Cost	Cash Return
1979/80						
Wheat	1,931	838	1,093	912	562	350
Paddy - Basmati	1,620	867	753	1,111	512	598
- Irri-6	1,328	870	458	915	527	389
Seed cotton	2,220	856	1,315	1,562	691	871
Sugarcane	4,571	2,717	1,854	2,905	1,554	1,351
1980/81						
Wheat	2,298	1,100	1,198	1,118	723	395
Paddy - Basmati	2,020	1,111	909	1,384	648	735
- Irri-6	1,692	1,104	588	1,177	671	506
Seed cotton	2,550	1,292	1,173	1,846	967	879
Sugarcane	5,904	3,668	2,236	3,834	1,965	1,869

/a All prices are farmgate.
/b Includes income from by-products--wheat-bhusa, paddy-straw and seed cotton.
/c Production costs refer to the cost of cash inputs. For the leading farmer, these include labor, bullock power, fertilizer, pesticides, water, seed and management charges. Rent is excluded. For the average farmer, 75% of labor costs and imputed cost of own bullock as well as rent are excluded.

Source: Bank staff estimates.

28. These estimates indicate that the recent price adjustments would help to increase farm incomes, 1/ in money terms, during FY81 over FY80 levels, for both leading and average farmers, except in the case of cotton. If an inflation rate of about 10% in FY81 is assumed, real incomes would still rise for rice and sugarcane, remain at FY80 levels for wheat and fall for cotton. The estimates, particularly for wheat, are highly sensitive to yield assumptions; if the growth in yields were to be less than the Government's target of 6% for the FY81 wheat crop, net returns for wheat could decline in real terms.

29. These estimates are illustrative and need to be interpreted with caution. Nevertheless, they indicate the need to pay close attention to farmer incentives, to take effective measures to raise average yields and to improve

1/ Net returns in the case of "leading" farmers and cash returns (defined as gross value of output less costs of inputs paid for in cash) in the case of "average" farmers.

the data base for making pricing decisions relating to agriculture. The Government is well aware of these needs and has taken action recently to set up an Agricultural Pricing Commission to consistently review and make appropriate recommendations with regard to agricultural pricing and initiate field surveys to improve farm level data. The Government has also continued to focus more actively on the longer-term productivity issues in agriculture. However, the progress made over the past year in implementing these new initiatives--for example, to restructure and reinvigorate the extension services, strengthen research and devise and implement on-farm programs to use irrigation water more efficiently--has been relatively slow. These efforts need to be strengthened considerably (see Part II).

30. Following the decline in fertilizer offtake during last Kharif, the Government resisted strong pressure to reduce fertilizer prices; this is specially commendable since such a reduction would have seriously undermined the Government's declared objective of reducing input subsidies and made further fertilizer price adjustments over the next few years difficult. The subsequent increase in the wheat price, though belated, led to a recovery in offtake of nitrogenous fertilizer; phosphate offtake, on the other hand, remained depressed--about 6% below last year's levels. Although the Government expects that higher support prices, together with increased availability of credit, will provide adequate incentives to farmers to use fertilizers, the situation needs to be monitored closely and appropriate measures taken to encourage fertilizer use and to redress the balance between nitrogenous and phosphatic fertilizers. Given the sharp increases in the domestic prices of fertilizer and transport costs, the current levels of dealers' margins appear to need increasing if dealers are to be induced to undertake a vigorous marketing effort.

31. The Government's individual crop campaigns have so far concentrated largely on increasing the production of four principal crops--cotton, rice, wheat and (more recently) sugar. While these campaigns should be continued and reinforced, production of edible oils also requires urgent attention. Because of rapidly rising domestic demand and stagnant domestic output, imports of edible oils have soared and are now one of the largest import items (Table I.24). Although efforts have now begun with external assistance to increase domestic output, an immediate and comprehensive review appears to be needed of government policies and programs for edible oil encompassing pricing, production and processing aspects.

C. Industry

Introduction

32. Industrial output expanded by a further 8.1% in FY80, with the rate of growth in medium and large-scale industry more than doubling from 3.7% to 8.5%. A further expansion of industrial production of around 8% is expected in FY81. The recent growth has been due to an improved availability of input supplies, an improvement in capacity utilization and the completion of some new plants, including cement and fertilizer factories. Progress has been evident in both the public and private sector.

33. The industrial performance of the last three years, though encouraging, still represents no more than a modest recovery from the stagnation of the mid-1970s. After a rapid advance in the 1950s and most of the 1960s, industrial progress virtually came to a standstill in much of the 1970s. The share of modern manufacturing in GDP declined from 12.6% in FY71 to 10.7% in FY80. There was little headway, during the decade as a whole, towards the expansion of manufactured exports, and Pakistan's industry lagged behind many of its competitors in terms of improvements in productivity and the adoption of new technology.

34. Government policies have played an important role in the recent upturn in the industrial sector. However, the recovery to date has already brought to light the increasing difficulty of meeting the requirements of finance, infrastructure and skilled manpower necessary to support an accelerated rate of large-scale investment in key industrial sectors. There is a growing need to examine existing industrial policies to ensure that they are sufficiently realistic and flexible to permit a continuation of recent trends.

Industrial Production FY80

35. Textiles. Following a 10% improvement in FY79, the production of cotton yarn increased by over 11% in FY80 (see Table I.11). This trend has been supported by a considerable improvement in the availability of raw cotton and adequate domestic and international demand. Export performance was assisted by exemptions from import and excise duties, a 7.5% compensatory rebate on exports, and an improvement in quality of the upper range of yarn products. The spinning industry has benefited from continued expenditure on balancing, replacement and modernization (BRM). An estimated 151,000 new spindles were installed in FY80, resulting in a net addition of 52,000 spindles, boosting total working capacity by nearly 2%. However, the recovery has not yet led to an improvement in production over the levels reached in the early 1970s.

36. The output of cotton cloth in the mill sector increased marginally for the first time since FY74, although mill output was less than 55% of the level reached in FY71; overall cotton cloth production and exports, however, have risen steadily since FY74 due to the rapid growth of cottage industry. There has been little reinvestment in the mill sector and the reversal of the decline in output was due to improved performance by no more than 20% of existing mills. The major part of the industry still suffers from problems of aging equipment, poor labor relations and falling productivity.

37. A recent study by the Cotton Textile Research and Development Center has confirmed that productivity in the Pakistan textile industry declined markedly during the 1970s. In the spinning industry, output per man hour declined by 8%, machine productivity declined by 7% and the employment ratio increased by 14%, leading to an 18.4% decline in productivity over the seven years to 1979. In the weaving industry, output per man hour declined by 28% and overall productivity fell by more than 30% over the same period. This decline has taken place during a period of increasing competition and technological innovation in world-wide textile production, so that the Government's rehabilitation program described in last year's report must continue to be given high priority.

38. Other Subsectors. The production of sugar fell by 5.2% in FY80 following a sharp decline of 29.4% in the previous year. Due to low sugar crops, and diversion of cane to the manufacturing of "gur" and unrefined sugar, the production of the mill sector was 575,000 tons, representing only 70% of estimated capacity. The Government has taken action to limit the production of alternative sugar products and to boost mill production by setting higher procurement and selling prices and by granting total exemption from excise duty on production which exceeded the average level of output during the three years up to FY79. These measures, together with an expected improvement in cane deliveries to mills following the improved sugarcane crops in 1980, are expected to result in increased output in FY81.

Table I.11: PRODUCTION TRENDS IN SELECTED MANUFACTURED ITEMS, 1976/77-1979/80

(annual percentage change)

	1976/77-1977/78	1977/78-1978/79	1978/79-1979/80 /a	1969/70-1979/80 /b
Cotton yarn	5.4	10.0	11.3	-0.3
Cotton cloth	-4.2	-16.9	2.5	-8.0
Cigarettes	10.2	3.8	4.6	4.0
Refined sugar	16.8	-29.4	-5.2	5.2
Vegetable ghee	10.6	17.2	6.1	13.2
Cement	5.0	-6.3	10.6	2.1
Fertilizer	-1.4	15.4	25.4	9.0
Paper board and chip board	4.6	121.8	-0.7	-
Safety matches	47.8	9.6	n.a.	23.4 /c
Art silk and rayon cloth	-10.6	11.3	n.a.	11.9 /c
Chemicals	23.8	6.5	7.2	1.9
Mild steel products	16.9	14.9	15.7	9.5

/a Provisional.
/b Trend calculated by least squares regression.
/c 1969/70-1978/79.

Sources: Statistics Division and Ministry of Industries.

39. The production of vegetable ghee increased by 8.2% in FY80, continuing a trend of rapid growth throughout the 1970s. This industry has grown rapidly in response to increased domestic incomes which have been boosted by rising remittances. The increase in consumption has necessitated rapidly increasing amounts of edible oil imports and the subsidy provided to consumers is placing a substantial burden on the budget. The Government has committed itself to a general policy of eliminating existing consumer subsidies over time, which may result in lower rates of growth of this industry in future.

40. The output of cement from the public sector rose by 6.2% in FY80, through an improvement in aggregate capacity utilization to over 95%. However, because of insufficient investment in recent years, domestic production has fallen below total demand. The output of fertilizers increased substantially from 940,000 to 1,200,000 gross tons. This improvement was almost entirely due to improved capacity utilization (from 18.7% to 46.7%) at the Pakarab factory at Multan. As in the case of cement, domestic production of fertilizer has lagged behind demand although domestic production costs, even in the less efficient plants, are well below the c.i.f. prices of comparable imports. Following a relaxation of import controls on ships for breakage, the production of milled steel increased by 15.7% in FY80.

41. The small-scale segments of industry have continued to expand steadily over recent years. Although data on such enterprises are scarce, small-scale units employing less than 10 people with an average investment of Rs 140,000 per firm have contributed substantially to the growth of production and exports of textiles, garments, carpets, surgical, leather and sports goods, marble products and light engineering products. The performance of small-scale industry has been assisted by its freedom from regulations regarding labor relations, working hours and a *de facto* lower incidence of taxation. On the other hand, further expansion is running into increasing difficulties with the financing of investments.

42. Public Sector Manufacturing Enterprises. During FY80, there was further progress towards improved standards of financial performance and management of public enterprises, following the adoption of policies providing more operational flexibility to the management and boards of individual enterprises. Capacity utilization and productivity was increased by the recovery in the economy, as well as by the closure or sale of some of the least efficient units. Production and sales rose by 46% and 43%, respectively, during FY80 measured at current prices. These figures represent increases of just under 30% in real terms.

43. There was a high degree of variation between the performance of various units, and much of the public manufacturing sector continues to operate at well below its potential. The improvements in production have not been accompanied by a commensurate improvement in efficiency; with most prices set on a cost-plus basis, managers have little financial incentive to improve efficiency by seeking ways to cut costs. Accordingly, the improvements in profitability have followed largely from higher output and the upward adjustment of output prices. In some cases, the increase in prices represented long overdue adjustments for increased costs; prices of products manufactured by public industries went up faster, on average, than prices of products made by private industry, as illustrated by the table below.

Table I.12: COMPARATIVE PRICE TRENDS OF INDUSTRIAL PRODUCTS, 1977/78-1979/80

(annual percentage change)

	1977/78	1978/79	1979/80
Manufacturing	4.5	5.5	13.1
Large-scale industries	4.5	5.4	13.1
Small-scale industries	4.4	5.6	13.0
Public industries	8.6	15.8	17.2
GDP deflator	8.4	7.6	12.3

Sources: National accounts; Public Sector Industries Annual Report and Bank staff estimates.

Industrial Investment

44. Public sector investment in manufacturing enterprises has begun to taper off from the peaks of 1977 and 1978, but the volume of investment required to complete ongoing commitments, such as the Karachi Steel Mill (where the initial phase of production is now expected to commence around October 1981) remains substantial. As part of its strategy of shifting investment priorities away from large projects with long gestation periods towards smaller, more rapidly yielding undertakings, the rate of investment in public industry is expected to decline further over the next few years. Once present major projects have been completed, the bulk of future investment in public industry can be expected to take the form of balancing, replacement and modernization (BRM), together with some minor expansions. This strategy will free scarce public resources for the financing of necessary investments in agriculture, water and energy, improvements and extensions of infrastructure, and increased expenditures on improving basic social services. It will also allow an increased diversion of domestic credit to finance private investment.

45. Events during 1980 indicate an increased hope for the success of the Government's strategy of diverting public investment resources away from industry. There has been a recovery in private industrial investment. While private investors have continued to be restrained by political developments in the region and to show a clear preference for smaller projects, some decisions have been taken to set up or expand relatively large private sector plants in the cement and fertilizer sectors. It is difficult to quantify the extent of the recovery of industrial investment, as there is a divergence between alternative sources of data. However, as shown in Table I.13, new project sanctions have continued to expand rapidly since the low point of FY77. In addition, there is increasing evidence that, with understandable lags, a substantial proportion of these investment proposals are being, or are about to be, implemented. Surveys by Bank staff of a number of larger projects (ranging from

Rs 20 million to Rs 80 million) recently sanctioned by the Investment Promotion Bureau (IPB) found that close to half were in various stages of implementation, while there was a firm commitment to commence a further 20% to 25% of the cases investigated. A similar pattern could be discerned for medium-sized projects ranging from Rs 3 million to Rs 20 million; it would be reasonable to expect that the rate of implementation would be at least comparable in the case of small-scale projects. These rather partial findings are supported by results from a survey commissioned by IPB and conducted by the Investment Advisory Center of Pakistan (IACP) of projects sanctioned between 1976 and 1979; these are summarized in Table I.14. Further evidence of a strong interest in investment is provided by the substantial backlog of applications for funds to finance foreign exchange expenditures with institutions such as IDBP and PICIC.

Table I.13: NEW PROJECT SANCTIONS IN PRIVATE SECTOR, 1976/77-1979/80

(million constant 1969/70 rupees)

Source	1976/77	1977/78	1978/79	1979/80
Investment (IPB)	115	345	911	1,392
Repatriable /a	22	100	207	68
Non-repatriable /b	27	71	123	222
Private foreign loans	27	136	283	720
Pay as you earn /c	29	38	298	376
Others	19	-	-	6
Pakistan Industrial Credit and Investment Corp. (PICIC)	78	112	58	102
Industrial Development Bank of Pakistan (IDBP)	56	64	151	104
Total	249	521	1,120	1,598

/a Repatriation of capital and dividends is permitted by Government.
/b Repatriation of capital and dividends is not permitted.
/c Repayment of foreign exchange loans for projects tied to future foreign exchange earnings.

Source: Bank staff estimates derived from current price data supplied by IPB and IACP and deflated by a Statistics Division deflator.

Table I.14: STATUS OF SANCTIONED INDUSTRIAL PROJECTS, 1975/76-1978/79

Category	No. of Units	%	Investment (million rupees) Total	Foreign exchange component	%
I to IV	2,013	100	16,394	8,056	100
I - In operation	683	34	2,857	1,303	18
II - Underway	328	16	5,304	2,897	32
III - Credit lining up and plot allotted	249	12	4,098	1,943	25
IV - No progress/ cancellation/ withdrawn	753	38	4,135	1,913	25

Source: Investment Sanctions and Implementation, 1975/76-1978/79, IACP/IPB, 1980.

46. The delays between sanctioning and implementation of private investment proposals have been due to a range of problems, including delays in obtaining finance, shortages of industrial land and infrastructure, an increasing shortage of skilled manpower and slow bureaucratic procedures. While further steps have been taken to streamline the process for awarding sanctions, there are a number of other clearances to obtain and difficulties to overcome before projects can be initiated. However, the combined impact of these factors still does not account for the discrepancy in the trend of investment indicated by the IPB and Bank surveys and the estimates for gross fixed capital formation drawn from National Accounts data shown in Table I.15. It is unlikely that the new investment expenditures now taking place are being offset by reduced spending on BRM; banking statistics indicate a strong demand for financing such spending. It is possible, therefore, that new investments are not being recorded adequately in the National Accounts statistics.

Industrial Policies

47. Over the past year, GOP has taken further steps to strengthen industrial policy to stimulate output and exports, with particular emphasis on revitalizing private investment while reorganizing and consolidating public industry. The broad consistency of the policy changes made during 1978-81 has begun to bear fruit in terms of a revival of private confidence and improved communication and cooperation between the public and private sectors.

48. As the tight foreign exchange situation of late 1979 began to improve, import policy was relaxed in successive stages during 1980, leading to an improved supply of industrial inputs. The import policy was partially liberalized in December 1980. Import ceilings on items listed under parts A and B of the free list were removed for the following categories of goods: raw materials for consumer goods except yarn and man-made fiber; raw materials for capital goods; some intermediate goods; and a limited number of essential consumer goods. In addition, a number of raw materials was added to the free

list; import licensing was made independent of the previous year's import level; and the private sector was allowed to import non-ferrous metals and mercury, in addition to imports by the Trading Corporation of Pakistan. Export control measures were also reduced: minimum export prices were removed on almost all exported goods and export price control on cotton yarn, textiles and bags was abolished.

Table I.15: GROSS FIXED CAPITAL FORMATION IN INDUSTRY, 1969/70-1979/80

(in million constant 1969/70 rupees)

Years	Private		Public	Total
	Small scale	Large & Medium scale		
1969/70	188	1,206	179	1,573
1970/71	193	1,175	65	1,433
1972/73	222	661	96	979
1974/75	190	846	453	1,489
1976/77	180	469	1,387	2,036
1977/78	186	450	1,798	2,434
1978/79	193	453	1,836	2,482
1979/80 /a	188	433	1,507	2,128

/a Provisional.

Source: Bank staff estimates derived from current data supplied by Statistics Division and Ministry of Finance and Economic Affairs.

49. The system of standard rebates of import and excise duties and sales taxes on inputs into manufactured exports was extended during 1980, entitling the exporter to claim routinely the reimbursement of a predetermined share of his exports' f.o.b. price, without requiring a detailed breakdown of production costs with each claim. On the output side, 12.5% compensatory rebates were extended to exports of cutlery, surgical instruments and sports goods. The Government also enhanced incentives to decentralization of industry towards less developed areas of the country. Investment sanctioning procedures were streamlined by reducing the number of agencies involved at every stage of the decision-making process and the process itself was simplified by eliminating some tiers. The ceilings below which sanctions are not required for industrial investments or machinery imports were doubled from their previous levels to Rs 20 million and Rs 10 million, respectively.

50. Industry has benefited indirectly from other government actions which have led to increased output and efficiency in a wide range of sectors. Industrial efficiency in 1980 was greatly assisted by the continued success of the National Logistics Cell in improving efficiency at Karachi Port: during FY79 the average waiting time for general cargo ships fell from 268 to 68 hours, while the average daily throughput per ship went up by 33%, with an improvement of over 60% for bulk cargo. Progress has also begun to be made in improving the efficiency of the electric power transmission system and increased priority

is generally being given to maintenance and improvement of facilities. On the other hand, there has been little progress towards improved labor-management relations. Absenteeism, poor discipline and declining labor productivity continue to impede industrial development. Although the Government has established a high level tripartite commission to recommend revisions to existing regulations, no consensus has yet been reached on how to alleviate the existing labor problems.

51. In the last 12-18 months the Government has promoted a number of new initiatives which are expected to lead to some large investments. A new institution, Bankers Equity Ltd., has been set up to help arrange and organize the capital requirements of such projects. In the cement industry, it has been possible to initiate a number of new ventures based on minority equity participation from private project sponsors. Agreement in principle has also been reached on the major expansion of an existing private fertilizer plant, though critical details have yet to be finalized. These initiatives could play an important role in promoting a revival of large-scale investment. However, they do not in themselves create conditions under which private investment can be expected to respond automatically, and in increasing amounts, to fill gaps in domestic capacity in response to changing circumstances in local and international markets.

52. Many of the industrial policy decisions taken in recent years have been a reaction to the emergence of specific problems and have added to the complex and piecemeal system of industrial incentives which has evolved over the past two decades, with its heavy emphasis on government controls and intervention and protection of domestic industry. The workings of the existing set of incentives and their combined impact on the industrial sector as a whole are unclear, but there is some evidence from a recent study of incentives 1/ that past policy actions have sometimes been contradictory and have not accorded with Pakistan's comparative factor endowment. As outlined in Part II, there is a need for a careful study of the existing system of industrial incentives in order to develop a more simplified policy framework which can act to steer the industrial structure towards an increasingly efficient use of resources without requiring a constant and complex process of case-by-case adjustments.

D. Energy

53. As an oil importing country, Pakistan continues to be seriously affected by increases in international petroleum prices. Progress in recent years in developing domestic energy resources in order to reduce dependence on imports has been slower than planned; acceleration of the rate of development would require several changes in government energy policies and programs, as discussed in Part II below.

1/ Pakistan: Effective Exchange Rates of Exported or Exportable Products: a study financed by the World Bank and conducted by the Pakistan Institute of Development Economics (PIDE).

Developments in FY80

54. Total commercial energy supplies (domestic and imported) increased by over 12% in FY80, substantially more rapidly than in recent years (Table I.16). Net energy consumption, i.e., excluding transmission and distribution losses, increased at a similar rate. However, supplies and consumption of different forms of energy increased at substantially different rates, reflecting the policies pursued by the Government and Pakistan's energy resource endowment. A principal aim of government energy policy in recent years has been to develop the output and use of natural gas and hydro-electric power. Although hydro-electricity production in FY80 was about 15% below the Government's target due to drought conditions, there was a sharp expansion of natural gas supplies by 22%, and of domestic coal production by 11%, while the increase in the use of oil was limited to 7% (Table I.16).

Table I.16: COMMERCIAL ENERGY SUPPLY BY SOURCE, 1971/72-1980/81

(Trillion Kj) /a

					Annual Growth-Percent		
	1971/72	1976/77	1978/79	1979/80	1971/72-1978/79	1978/79-1979/80	1979/80-1980/81 /b
Petroleum products /c	129.4	156.6	192.5	205.6	5.8	6.8	7.0
Natural gas /d	107.4	160.7	181.5	220.7	7.8	21.6	7.6
Coal	24.9	24.4	27.4	31.0	1.4	11.3	6.4
Hydro-electricity	38.7	54.6	86.7	91.7	12.2	5.9	-1.0 /e
LPG	0.2	1.1	1.6	1.2	36.0	-25.9	15.1
Nuclear	1.0	4.0	1.0		0.0	-98.1	
Total	301.7	401.4	490.7	550.3	7.2	12.1	6.7

/a The conversion rate to BTU is 1.055 Kj.
/b Government target for 1980/81, based on a somewhat lower preliminary estimate of 532 trillion Kj for energy supplies in 1979/80.
/c Excluding exports and non-energy uses.
/d Excluding feedstock for fertilizer.
/e Based on a preliminary estimate of 110 trillion Kj for hydel power generation in 1979/80; in relation to revised estimate for 1979/80, the target for hydel power generation represents a 20% increase.

Sources: Ministry of Petroleum and Natural Resources and Planning and Development Division.

55. The increased use of natural gas in FY80 stemmed mainly from thermal power generation, which was stepped up to compensate for the shortfall in hydro-electricity supplies, and increased industrial activity. The expansion of the gas distribution system also enhanced the demand for natural gas, especially in domestic and industrial uses; 86,100 new connections were provided by gas distribution companies in FY80, compared to 88,900 in FY79, bringing the total number of consumers to around 595,000.

56. At present 45% of peak power generation capability is hydel, 51% thermal and 4% nuclear; the capability of the system, however, is subject to a high degree of seasonal variability. While hydel power generation was affected by low water availability during FY80, generation of nuclear power was negligible as the plant at Karachi was shut down for most of the year for maintenance and because of lack of essential spares and fuels. However, increased thermal generation, improvements to the power transmission and distribution system (including the energization of a 500 kv line from Tarbela to Faisalabad) and a reduction in power losses enabled electricity consumption to grow by 7-8% during the year. WAPDA's programs for village electrification and tubewell energization were substantially accelerated; 1,150 villages, 45% more than the FY80 target, and 267,000 new customers (including 6,300 tubewells and 6,200 industrial customers), representing a 21% increase over the FY80 target, were energized during the year.

57. Coal production was substantially stepped up during FY80, mainly to meet the demand of the brick-making industry. Although there are substantial coal deposits in Pakistan, they are little used except in brick-making.

58. The Government has a modest program to develop and popularize renewable energy forms. Six mini-hydel projects in NWFP and northern areas were completed during FY80, for which Rs 14 million was provided from a total allocation of Rs 3.3 billion for the energy sector. The Directorate General of Energy Resources, the agency responsible for the development of renewable energy, also set up or provided technical know-how to 100 family size bio-gas plants, and established a prototype community size bio-gas plant supplying power to 45 houses. Projects for the development of solar energy, and for renewable energy for village electrification, were also begun in FY80. These efforts are still at an experimental stage and their contribution to energy supplies during the year was negligible.

59. The Government has been endeavoring to encourage the substitution of oil by other, domestically available fuels by making relative price adjustments. At present the main users of oil are the transport and domestic sectors. The use of kerosene by households declined by 7% in FY80 following successive price adjustments since December 1979; the rise in overall oil consumption was principally due to a 13% increase for transport purposes.

60. Retail prices of petroleum products have been raised sharply, by an average of 30% in December 1979 and by another 23% since that time; they now more closely reflect the economic cost of importing, refining and distributing petroleum products. The price of kerosene, used by households for cooking and lighting purposes, has been trebled and of high speed diesel, used mainly for transport, doubled over the past two years. Notwithstanding these adjustments, kerosene as well as furnace oil prices are still below import parity levels, although in the case of kerosene the subsidy has been reduced from Rs 1.25 per liter in December 1979 to about Rs 0.48 per liter. The differential between the prices of kerosene and liquified petroleum gas (LPG), which is a potential substitute for both kerosene and diesel though priced at a higher level than either of these products, has also been somewhat reduced. However, substantial differentials between gasoline and diesel prices, which cannot be explained by relative refining costs, still persist. While such price differentials may

be justified by wider socio-economic considerations, this policy should be reviewed in the context of rising energy costs and balance of payments constraints in order to conserve energy and curb the rapid growth of oil consumption in the transport sector.

Table I.17: PRICES OF PETROLEUM PRODUCTS, 1973-80

(rupees per US gallon) /a

	Domestic Prices					Import Prices
	November 1973	December 1978	December 1979	March 1980	October 1980	October 1980
Regular gasoline	5.20	12.06	16.02	16.78	18.85	12.53
Super gasoline	5.82	14.33	23.00	23.75	23.75	-
Kerosene	1.66	3.32	7.54	9.43	10.37	10.50
High speed diesel	2.50	5.88	9.43	10.56	11.50	10.25
Furnace oil	240.00	1,000.00	1,250.00	1,250.00	1,250.00	-

/a Except furnace oil prices, which are per ton.

Source: Ministry of Petroleum and Natural Resources.

61. Over the past several years, the Government has tried to encourage exploration for and development of new domestic oil resources by providing attractive incentives to foreign private oil companies. It has also taken steps to strengthen the capability of the Oil and Gas Development Corporation (OGDC)--the public sector agency in this field--to undertake exploration and development activities independently and in collaboration with foreign private companies. This policy has been successful in generating new exploration activity; 10 new agreements involving commitments to drill about 15-20 exploratory wells have been signed with foreign companies over the past few years. During FY80, seismic surveys were carried out by five of the contracting parties and 2-3 exploratory wells were drilled, while OGDC itself continued drilling of two appraisal wells in the Dhodak field. For a variety of technical, geological and other reasons, however, progress with most of this drilling was slow; no major new reserves were identified or delineated.

62. Progress has also been slow with regard to the development of existing fields. Technical and other difficulties have delayed drilling at the Toot field operated by OGDC. At the Adhi field, a joint venture between GOP and private interests, production has diminished due to intrusion of water. The development of Meyal, the largest known field, has also been hampered by difficulties with drilling and financial problems of the operating company. As a result, total domestic production of crude oil at around 10,000 barrels per day in FY80--about the same as in FY79 and equivalent to 9% of Pakistan's total petroleum requirements--was well below the Government's expectations.

63. As a result of these various factors, the benefits of Pakistan's considerable potential in the oil and gas sector to the balance of payments have yet to be realized. Ninety percent of the country's petroleum requirements in FY80 was imported at sharply rising prices. Gross oil imports were nearly 25% of Pakistan's total imports in FY80. Allowing for exports of surplus products and bunkering revenues, net oil imports doubled in FY80 (Table I.18) and were equal to 37% of the trade deficit in that year.

Table I.18: BALANCE OF PAYMENTS IMPACT OF OIL IMPORTS, 1978/79-1980/81

(millions)

	1978/79		1979/80		1980/81 /a	
	Quantity MT	Value $	Quantity MT	Value $	Quantity MT	Value $
Imports of crude oil	3.57	393.1	3.91	751.4	3.93	968.9
Imports of products	1.44	218.0	1.62	486.0	1.59	615.8
Exports of products	0.55	56.1	1.01	190.5	0.79	203.0
Bunkers/Aviation supplies	0.37	60.0	0.37	114.6	0.37	155.0
Net imports	4.09	495.0	4.15	932.3	4.36	1,226.9

/a Government projection.

Source: Planning and Development Division.

Prospects for FY81

64. In order to accelerate development of domestic energy resources, the Government has allocated Rs 5.5 billion, equivalent to 21% of all public investment, to the energy sector in the FY81 annual development program. This represents a 38% increase in nominal terms and about 25% in real terms over FY79 levels (Table I.19). Within this allocation, funds earmarked for oil and gas development have been doubled.

65. The bulk of planned energy investments--about 73%--is for the power sector, mainly to strengthen primary transmission and rehabilitate and expand the secondary transmission and distribution network. As regards generation, priority is to be given to the development of hydro-electricity and completion of ongoing projects. Three projects currently under construction (two hydel and one thermal) are due to be completed during the year and will add 490 MW, or about 13%, to the generation capacity of the power system.

66. In the oil and gas sector, a substantially expanded exploration and development program is planned by OGDC this year; this includes drilling of four exploration/appraisal wells at Dhodak and Pirkoh, and four development wells at Toot. Funds have also been provided for government collaboration with the private sector in drilling eight development wells for gas at Mari and four development wells at Adhi. There is evidence that the rapid expansion of OGDC's activities is placing increasing strain on its technical and financial resources and that the Government should consider the scope for a collaborative role for private companies to assist development of public sector

fields (see also Part II). Despite difficult drilling conditions and other problems, the possibility of significant new oil discoveries in Pakistan has continued to attract foreign interest, and a number of new concession agreements have been signed over the past 18-24 months. Increased activity by the private sector in FY81 is expected to include six exploration, two appraisal and two development wells in addition to the joint venture activities mentioned above.

Table I.19: ANNUAL DEVELOPMENT PROGRAM FOR THE ENERGY SECTOR, 1979/80 and 1980/81

(million rupees)

	1979/80	1980/81	Change Amount	Change Percent
Power Sector	3,255.0	4,019.8	764.8	50.3
WAPDA	2,811.9	3,394.9	583.0	38.3
Generation	(1,241.6)	(1,168.0)	(-73.6)	(-4.8)
Transmission	(980.3)	(1,457.1)	(476.8)	(31.4)
Distribution	(590.0)	(769.7)	(179.7)	(11.8)
Pakistan Atomic Energy Commission	366.7	493.0	126.3	8.3
Small hydel projects	14.3	23.0	8.7	0.6
Renewable energy programs	2.1	21.6	19.5	1.3
Northern areas, Frontier regions	60.0	87.4	27.4	1.8
Fuels Sector	744.4	1,500.0	755.6	49.7
Oil & Gas Development Corporation	610.6	989.0	378.4	24.9
Petroleum concessions	67.8	280.1	212.3	14.0
Gas operations	57.4	220.0	162.6	10.7
Hydrocarbon development	8.5	10.9	2.4	0.2
Total Allocation for Energy	3,999.4	5,519.8	1,520.4	100.0

Source: Planning and Development Division.

67. Other scheduled programs in the energy sector in FY81 include the commissioning of an LPG extraction plant and some expansion of oil refining and pipeline capacity. Public sector allocations for mini-hydro projects and renewable energy development have been increased. A program of energy conservation relying on increased publicity and price adjustments was launched recently; while this program needs to be strengthened, recent price adjustments have already had some beneficial effects on residential consumption of oil.

68. The balance of payments implications of the energy outlook for FY81, as projected by the Government, is shown in Table I.18. With domestic oil production of around 12,000 barrels per day, the projected increase of 6% in oil consumption is expected to be met by additional net imports. In addition, sharply higher import prices, on average about 25% more than in FY80, will mean that an additional outlay of about $300 million over FY80 will be required to finance oil imports.

E. Public Finances

69. Significant strides were made by the Pakistan Government towards improving the fiscal situation in FY80. The overall budgetary deficit declined from 8.4% of GNP at market prices in FY79 to 5.9% in FY80 and domestic bank borrowing from 4.1% of GNP to 2.5%. The financing of the development budget from domestic non-inflationary resources, mainly current surpluses generated by the budget and by public sector agencies, improved from 25% in FY79 to nearly 40% in FY80. While these improvements are expected to be sustained during FY81, continuing efforts and effective monitoring of trends will be required to maintain a satisfactory budgetary position.

Performance in FY80

70. The Government has endeavored during the past few years to reduce its budgetary difficulties both by increasing revenues and by restraining spending. Nevertheless, budget deficits rose steadily up to FY79, as current expenditures, especially on defense, debt servicing, subsidies and administrative functions increased and as net external assistance available for budgetary purposes continued to decline. Following the severe budgetary deterioration in FY79, the Government launched a major effort in the FY80 Budget to stabilize the financial situation by taxation and pricing measures which were expected to mobilize additional resources to the extent of Rs 5.1 billion. Although some of these measures amounting to Rs 0.5 billion were subsequently withdrawn due to public protests, and additional expenditures totaling Rs 1.2 billion were incurred in providing cost of living and other allowances to lower-paid government employees, further steps were taken during the year to prevent an erosion of the budgetary position. These included substantial adjustments in administered prices of a number of commodities and services (e.g., fertilizer, petroleum products and railway tariffs) and cutbacks in development and non-development spending.

71. These efforts have produced significant results. Government revenues, following increases of 21% in FY78 and 16% in FY79, rose by 25% in FY80, and the ratio of current revenues to GNP rose from 14.7% in FY77 and 15.3% in FY79 to 15.9% in FY80 (Table I.20). This improvement took place despite a shortfall of Rs 700 million below budget targets in interest receipts from public sector agencies and enterprises, which limited the growth of non-tax revenues in FY80 to 8% over FY79. Tax revenues, however, increased by nearly 30% during the year, with income tax collections rising by over 50%; other major taxes also recording substantial gains (Table I.21). The tax and rate increases announced in the FY80 Budget, the largest such effort in recent years, contributed significantly to this improvement, especially in the case of excise duties, while the continued growth of industrial production and incomes also helped to increase revenues. In addition, the Government intensified its efforts to improve tax administration and collections. Income tax revenues in particular benefited from a substantial increase in the number of tax-payers resulting from sustained efforts by the tax authorities to identify new assessees (the number of assessees for income taxes increased from about 450,000 in FY79 to about 650,000 in FY80), as well as from other administrative measures; e.g., extension of the self-assessment scheme and deductions at source on payments to contractors and imports above certain specified amounts.

Table I.20: CONSOLIDATED GOVERNMENT REVENUES, EXPENDITURES AND FINANCING OF GOVERNMENT EXPENDITURES, 1974/75-1980/81

(million rupees)

	1974/75	1976/77	1978/79	1979/80	1980/81 Budget	1980/81 Revised/a
Current Revenues	16,488	22,506	31,427	39,350	47,298	49,666
Non-Development Current Expenditures	17,423	19,809	29,232	33,672	37,015	37,497
Current Surplus/b	-935	2,697	2,195	5,678	10,283	12,169
Autonomous Bodies' Resources	180	353	975	1,464	2,226	1,992
Development Expenditures	10,612	15,958	20,485	21,805	26,464	26,768
Overall Deficit	11,367	12,908	17,315	14,663	13,955	12,607
Financed By						
Foreign Resources (Net)/c	7,823	5,860	6,711	6,951	8,595	7,883
Foreign Resources (Gross)	8,786	7,630	9,216	12,555	12,970	11,510
Project Aid	(1,266)	(2,690)	(3,994)	(3,884)	(5,100)	(5,238)
Non-Project Aid	(7,520)	(4,940)	(5,222)	(8,671)	(7,870)	(6,272)
Debt Repayments	963	1,770	2,505	5,604	4,375	3,627
Domestic Non-Bank	1,506	1,039	2,102	1,407	1,860	899
Domestic Bank Borrowing	2,038	6,009	8,502	6,305	3,500	3,825
As Percent of GNP at Market Prices						
Revenues	14.5	14.7	15.3	15.9	16.5	16.7
Non-Development Current Expenditures	15.3	12.9	14.2	13.6	12.9	12.6
Development Expenditures	9.3	10.4	10.0	8.8	9.2	9.0
Overall Deficit	10.0	8.4	8.4	5.9	4.9	4.2
External Financing (Net)	6.9	3.8	3.3	2.8	3.0	2.6
Domestic Bank Borrowing	1.8	3.9	4.1	2.5	1.2	1.2
Structure of Financing						
Proportion of Development Expenditures Financed By:						
Net External Financing	73.7	36.7	32.8	31.9	32.5	29.4
Domestic Resources Other Than Bank Borrowing/d	7.1	25.6	25.7	39.2	54.3	56.3
Domestic Bank Borrowing	19.2	37.7	41.5	28.9	13.2	14.3
Proportion Total Budget Expenditures/e Financed By:						
Net External Financing	27.9	16.4	13.5	11.4	13.5	12.3
Domestic Resources Other Than Bank Borrowing/f	64.8	66.8	69.4	76.1	80.9	81.8
Domestic Bank Borrowing	7.3	16.8	17.1	12.5	5.6	6.0

/a Revised in February 1980. Additional import duties of Rs 1,659 million resulting from import liberalization are included in the revised revenue figures.
/b Current revenues less current non-development expenditures.
/c Net of debt repayments.
/d Current surplus + autonomous bodies' resources + domestic non-bank sources.
/e Non-development current expenditures + development expenditures.
/f Current revenues + autonomous bodies' resources + domestic non-bank sources.

Table I.21: GOVERNMENT REVENUES AND EXPENDITURES, 1976/77-1980/81

(million rupees)

	1976/77	1978/79	1979/80	1980/81 Budget	1980/81 /a Revised
Current Revenues	22,506	31,427	39,350	47,298	49,666
Direct taxes	3,115	3,978	5,758	7,152	7,652
Import duties	6,000	9,837	12,126	13,702	15,085
Excise duties	4,974	6,992	9,725	11,701	11,321
Sales taxes	1,363	1,935	2,410	3,088	3,484
Non-tax revenues	4,747	6,334	6,843	8,615	8,948
Non-Development Current Expenditures	19,809	29,232	33,672	37,015	37,497 /b
Defense	8,120	10,168	12,655	14,500	15,138
Interest payments /c	2,791	4,031	4,967	5,458	5,306
Subsidies /d	1,111	3,601	3,821	3,015	2,710
Administrative departments	6,295	11,251	11,837	13,121	13,121

/a Revised in February 1981.
/b Includes a provision of Rs 1,500 million for expenditure overruns which are presently unallocable.
/c On external and domestic debt.
/d Excluding input subsidies which are classified as development expenditures, and refunds to refineries which are now netted against surcharges on petroleum.

72. The Government had considerably more success in FY80 than in the recent past in restraining non-development expenditures, the overall growth in which was limited to about 15%, well below the rate of growth of revenues. Over half of the increase in non-development spending that took place was on defense and another 6% on refugee relief, as political developments on Pakistan's borders led to unplanned post-budget expenditures. A further 25% represented increased interest payments, the result of accumulated long-term debt, the expiration of the four-year debt relief agreement in 1978, and recent short-term borrowing. Other expenditures, especially those on administrative departments, were tightly contained and were cut back in real terms. Subsidies, other than those on inputs which are included in the development budget, were held in money terms at about FY79 levels, although their overall level remained high. While subsidies on edible oil increased substantially due to higher import costs, an increase in the ration shop price of wheat late in FY79 and a good harvest permitted the Government to keep down wheat subsidies.

73. Development spending, initially set at Rs 23.0 billion in the FY80 Budget, was subsequently scaled down to Rs 21.6 billion to take account of lower expected resources. The revised development budget provided an additional

Rs 500 million for fertilizer subsidies because of a sharp escalation of import costs; allocations for other development activities, however, were reduced by about 10% below budget targets. Given the substantial commitments to several large ongoing projects, this cutback required difficult decisions to rephase or postpone a number of projects. Latest estimates indicate that actual development spending in FY80 was held to Rs 21.8 billion, in line with the revised target and 6% higher than in FY79 in money terms but a substantial reduction in real terms. While project aid inflows fell short of initial expectations by about Rs 1.5 billion, aid-financed development expenditures did not decline correspondingly. As in past years, therefore, over-expenditure on rupee account occurred.

74. The financing of the development budget illustrates the improvement in the overall public finances that took place in FY80. Rapid growth of revenues, restraints on current expenditures and a continued increase in the surpluses generated by some public sector agencies, especially WAPDA, led to a significant improvement in non-inflationary domestic resources. Accordingly, the proportion of development and total spending financed from non-inflationary domestic resources rose, and the overall budget deficit and the reliance on external resources and domestic bank borrowing declined (see Table I.20). Although non-project aid in the form of refugee relief and assistance from the IMF's Trust Fund and OPEC countries increased markedly, the sharp increase in debt service payments meant that net external assistance increased little during the year.

75. The improvement in the budgetary situation during FY80, though a significant achievement, was less than anticipated in April/May 1980; the bank-financed budget deficit of Rs 6.3 billion exceeded the forecast at that time by as much as Rs 2.3 billion. This was mainly due to increased defense expenditures, rupee overspending on the development budget noted above and shortfalls in capital account receipts resulting from delays in loan repayments to the Government by some public sector agencies.

FY81 Budget and Prospects

76. The FY81 Budget announced in June 1980 endeavored to consolidate and build on the budgetary improvements made during the preceding year. In view of the substantial tax and price adjustments that were introduced during FY80, these endeavors mainly took the form of further restraints on current expenditures and efforts to improve collections from existing taxes. The Budget was also expected to benefit substantially from further production growth, especially in manufacturing. Consequently, relatively less emphasis than in recent years was placed on mobilizing additional resources through new budgetary measures.

77. The initial FY81 Budget estimates were modified in February 1981 in several respects. Estimates of current revenues were revised upwards by Rs 2.4 billion; while net capital receipts from non-bank sources were reduced by Rs 1.0 billion, due to operating losses being incurred by the Railways. The liberalization of imports is now expected to add Rs 1.7 billion to revenues from import duties, while improved collections from income taxes and profits from the export of raw cotton by the Cotton Export Corporation are expected to add another Rs 500 million and Rs 350 million, respectively, to revenues.

78. According to revised estimates, total current revenues are expected to grow by 26% during FY81. Nearly one fifth of this projected increase represents higher anticipated receipts from import duties due to import liberalization and a further 10% to new tax and tariff increases announced in the Budget. The balance, equivalent to a 19% increase in current revenues, is expected from existing taxes, anticipated growth of the economy and inflation. Although GDP, in current prices, is expected to grow by about 20% during the year, continuing administrative efforts to improve tax collections by about Rs 700 million are also assumed in view of the inelasticity of the tax system.

79. The Government intends to tightly restrain current expenditures again this year; the projected increase over FY80, including additional provisions made up to February, is about 11% (Table I.21). Current subsidies are expected to decline by about Rs 1.1 billion, mainly due to adjustments in domestic consumer prices of wheat and sugar announced in the Budget and good domestic crops, so that the increase provided for non-subsidy expenditures is about 17%. Much of this provision will be absorbed by defense, interest payments, 1/ administrative expenditures and increases in cost of living and other allowances to lower-paid employees.

80. The Budget provides for a resumption of the growth of development spending in real terms after the cutbacks of the past few years; the projected Annual Development Program (ADP) of Rs 26.8 billion represents a real increase of 10% over FY80 actuals, on the assumption of an inflation rate of about 10%. The ADP gives priority to the completion of major ongoing projects and seeks to avoid overcommitment to new projects; allocations for the latter have been kept to less than Rs 1.0 billion. Priority has also been given to essential inputs and support services for agriculture; the development of water resources; the social sectors, which were severely starved of funds over the past several years; rural development; and exploration and development of domestic energy resources. As already noted (paragraph 22), allocations for fertilizer in the development budget have been separated from those for other agricultural programs in order to protect the latter from possible overruns in the fertilizer subsidy. Although the Government continues to be constrained in its efforts to reorder investment priorities by the need to complete ongoing projects, a start has been made in this direction.

81. As indicated by Table I.22, while the budget allocations to the water, power and transport and communications sectors remain much the same as a proportion of the ADP, the allocation to industry has been substantially curtailed. Funds allocated to industry are mainly for the completion of Karachi Steel Mill and fertilizer and cement factories under construction. In contrast, allocations provided to the fuels subsector for exploration and development of domestic gas and oil resources have been doubled, and for education, health and rural development together increased from 9% of the ADP in FY80 to 11% in FY81. There has also been some improvement in the distribution of funds within the education and health sectors, e.g., in favor

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1/ The Budget presentation shows interest payments on a gross basis, i.e., without adjusting for debt relief; the latter is shown in the Budget as an external capital inflow.

of primary education; however, a bias still exists in these sectors in favor of higher education, construction of hospitals, etc., and the overall level of resources allocated to the social sectors remains inadequate. Although budget allocations for population planning were slightly reduced, additional funds may be required to implement the recently reorganized population program (see Part III). Resources allocated to non-fertilizer agriculture show a 23% increase over the FY80 budget allocation; since the latter was eroded by a post-budget increase in the fertilizer subsidy last year, the FY81 allocation represents a 70% increase over actual FY80 expenditures.

82. To finance development spending, the Government expects to generate nearly Rs 14 billion from budgetary resources through rapid growth of revenues, expenditure restraints, and increased self-financing by public sector agencies amounting to Rs 2.0 billion. The overall budget deficit is expected to be around Rs 12.6 billion or around 4.2% of GNP (Table I.20). Allowing for net external resource inflows of Rs 7.9 billion, including Rs 0.7 billion in debt relief and domestic non-bank borrowing of Rs 0.9 billion, a deficit of Rs 3.8 billion or 1.2% of GNP is forecast by the Government, to be financed from domestic bank borrowing.

Table I.22: ANNUAL DEVELOPMENT PROGRAM, 1979/80-1980/81 /a

(million rupees)

	1979/80		1980/81		Change	
	Amount	Percent	Amount	Percent	Amount	Percent
Agriculture	3,297	15.3	3,878	14.5	581	11.9
Fertilizer subsidy	(2,115)	(9.8)	(2,423)	(9.1)	(308)	(6.3)
Other agriculture	(1,182)	(5.5)	(1,455)	(5.5)	(273)	(5.6)
Water	1,610	7.5	2,146	8.1	535	11.0
Power	3,239	15.0	4,020	15.2	780	16.0
Fuels	739	3.4	1,500	5.7	761	15.6
Industry	4,057	18.8	4,074	15.4	17	0.3
Transport and communications	3,822	17.7	4,868	18.3	1,046	21.5
Social sectors	1,777	8.2	2,394	9.0	617	12.7
Education	(891)	(4.1)	(1,292)	(4.9)	(401)	(8.2)
Health	(717)	(3.3)	(942)	(3.6)	(225)	(4.6)
Population planning	(169)	(0.8)	(160)	(0.6)	(-9)	(-0.2)
Rural development	203	0.9	507	1.9	304	6.2
Physical planning and housing	1,427	6.6	1,831	6.9	404	8.3
Tarbela	1,052	4.9	1,007	3.8	-45	-0.1
Other	374	1.7	437	1.7	65	1.3
Total ADP Gross	21,597	100.0	26,662	100.7	5,065	104.1
Shortfall	-	-	-198	-0.7	-198	-4.1
Total ADP Net	21,597	100.0	26,464	100.0	4,867	100.0

/a Budget allocations.

Source: Planning and Development Division

83. If these goals are attained it would represent a further significant improvement in the budgetary situation. However, some uncertainties exist in regard to both revenues and expenditures. The additional revenues expected from import liberalization and the somewhat ambitious targets for income tax collections are expected to be realized mainly in the second half of FY81. On the other hand, expenditures are likely to exceed budget targets on account of development spending overruns and additional outlays on refugees, now numbering about 1.6 million compared to 800,000 assumed in the Budget. Thus, further restraints on expenditures and close monitoring of revenues to avoid unexpected shortfalls, as in FY80, seem necessary to ensure a satisfactory budget outcome.

F. Balance of Payments

84. Although the balance of payments remained under considerable pressure during much of FY80, the outlook for FY81 and the next two years has been improved by the conclusion of the Extended Fund Facility arrangement with the IMF last November. Nonetheless, the external payments situation will remain tight and some financing gaps are likely to persist.

Recent Developments

85. The balance of payments outcome for FY80 was more favorable than the difficult situation which prevailed during most of the year. From a low point in December 1979 when reserves fell below $200 million, 1/ the equivalent of two weeks' imports, mainly due to a sharp upsurge in imports, the situation improved gradually. A strong recovery of exports and remittances during the second half of the fiscal year and administrative restrictions on most imports imposed in October 1979 helped to limit the current account deficit to the same level in absolute terms as in FY79 (Table I.23). As a proportion of GNP, the current account deficit declined to 4.6% in FY80 compared to 5.4% in FY79 and 6.8% in FY77.

1/ Excluding gold holdings totaling 1.82 million troy ounces and valued at $890 million at end February 1981.

Table I.23: CURRENT ACCOUNT BALANCE, 1973/74-1980/81

(million US$)

	1973/74	1976/77	1978/79	1979/80	1980/81 /a
Exports (f.o.b.)	1,020	1,132	1,644	2,341	2,716
Imports (f.o.b.)	-1,493	-2,418	-3,816	-4,864	-5,652
Workers' remittances	151	578	1,395	1,743	1,900
Current account balance	-548	-1,052	-1,110	-1,151	-1,566
Current Account as % of GNP	-6.2	-6.8	-5.4	-4.6	-5.4

/a Government estimates.

Note: See Table I.26 for more complete presentation of the balance of payments.

Source: Ministry of Finance and Economic Affairs.

86. The pressure on the balance of payments emanated mainly from a sharp increase in the value of petroleum imports (Table I.24). Despite the Government's success in encouraging the use of natural gas and other domestic fuels (see section D above), the gross oil import bill doubled from $611 million in FY79 to $1,237 million in FY80 as a consequence of increases in international petroleum prices. Shortfalls in domestic production of fertilizer and sugar, additional imports for aid-financed development projects and an increase in other import prices also swelled the import bill. Although an excellent wheat crop enabled the Government to cut back wheat imports by over $200 million, total imports in value terms rose by nearly 27% in FY80.

Table I.24: MERCHANDISE IMPORTS, 1976/77-1980/81

(million US$)

	1976/77	1978/79	1979/80	1980/81 /a	Increase 1976/77-1978/79	1978/79-1979/80	1979/80-1980/81
Wheat	55	311	93	86	256	-218	-7
Edible Oil	169	243	247	274	74	4	27
Sugar	-	-	54	54	-	54	-
Fertilizer	86	273	418	430	187	145	12
POL	400	611	1,237	1,584	211	626	347
Aid projects	400	526	711	658	126	185	-53
Public sector, Defense	557	511	575	706	-46	64	131
Personal baggage	5	88	125	110	83	37	-15
Private sector	975	1,339	1,536	2,250	364	197	714
Total Imports, cif	2,647	4,154	5,294	6,533	1,507	1,140	1,239

/a Provisional estimates.

Sources: Ministry of Finance and Economic Affairs and Planning and Development Division.

87. The recovery of exports which commenced in FY77 continued strongly through FY80 (Table I.25). Exports rose by 42% in value terms and by about 22% in volume terms in FY80. This growth was mainly due to excellent cotton and rice crops, continued expansion of output (especially carpets) in the small-scale industrial sector, domestic surpluses of POL products due to imbalances between refinery output mix and the structure of demand, and favorable export prices which on average rose by 17% over FY79.

Table I.25: COMPOSITION OF EXPORTS, 1976/77-1980/81

(million US$)

	1976/77	1978/79	1979/80	1980/81 /a
Primary Commodities	467	553	994.	n.a.
Rice	250	341	422	485
Raw cotton	30	66	336	503
Semi-Manufactured Goods	191	352	355.	n.a.
Cotton yarn	118	198	206	210
Tanned leather	65	126	128	100
Manufactured Goods	483	805	992.	n.a.
Cotton cloth	162	216	244	248
Carpets	92	178	210	265
POL products	27	62	178	203
Total Exports	1,141	1,709	2,341	2,800

/a Government estimates.

Source: Statistics Division.

88. Apart from the increase in exports and in workers' remittances (which rose by about $350 million to $1,743 million), the balance of payments also benefited in FY80 from a recovery of net long-term capital inflows (Table I.26) and substantial extraordinary receipts from OPEC countries, including a $200 million loan from Saudi Arabia for the Zakat (social welfare) Fund and $220 million in foreign exchange deposits from Saudi Arabia and Kuwait with the State Bank of Pakistan. In addition, outstanding short-term foreign exchange borrowings increased. These inflows led to an increase in gross foreign exchange reserves (which had declined sharply during FY79) to about $750 million at the end of FY80, the equivalent of six weeks' imports.

89. The recovery to a more manageable external position has been followed by a number of favorable developments during FY81. These have included the conclusion of an Extended Fund Facility arrangement with the International Monetary Fund in November 1980; a positive response from aid donors to the country's improved economic performance, resulting in increased aid commitments and inflows; an agreement in January 1981 with bilateral creditors in the Pakistan Consortium for rescheduling of debt service payments on official concessional debt falling due over an 18-month period beginning mid-January 1981; and continued good performance of major crops and exports and of remittances from abroad, which the Government now expects to be around $2.1 billion this fiscal year.

Table I.26: BALANCE OF PAYMENTS, 1976/77-1981/82

(million US$)

	1976/77	1978/79	1979/80	1980/81	1981/82 /a
		Actual		Estimated	Projected
Trade Balance	-1,286	-2,172	-2,523	-3,187	-3,215
Exports, f.o.b.	1,132	1,644	2,341	2,800	3,250
Imports, f.o.b.	-2,418	-3,816	-4,864	-5,987	-6,465
Invisibles (Net)	234	1,062	1,372	1,609	1,683
Workers' remittances	578	1,395	1,743	2,128	2,340
Interest payments /a	-172	-261	-285	-326	-403
Current Account Balance	-1,052	-1,110	-1,151	-1,578	-1,532
Long-Term Capital (Net)	625	635	824	825	956
Gross disbursements (Official)	799	888	1,054	1,105	1,200
Amortization /b	-175	-235	-310	-368	-334
Other (Including private long term)	1	-18	80	88	90
Basic Balance	-427	-475	-327	-753	-576
Errors and Omissions (Net)	93	23	8	-	-
SDR Allocation	-	38	39	39	-
Official Financing and Reserve Movements	334	414	280	525	494
Official short-term inflow	-	282	356	327	327
Official short-term outflow	-79	-131	-304	-270	-327
BOP borrowing	161	-57	286	19	100 /c
IMF (Net) /d	41	-14	78	337	394
SBP reserves drawdown	211	294	-373	-	-
Foreign Central Bank deposits	-	40	214	90	-
Other	-	-	23	22	-
Financing Gap	-	-	-	189	82

/a Government estimate.
/b Including the effects of debt relief actually received during 1976/77-1979/80, and of estimated relief during 1980/81 and 1981/82 on the basis of bilateral and multilateral agreements already signed.
/c From sources as yet undetermined.
/d Including Trust Fund.

Source: Ministry of Finance and Economic Affairs.

90. These developments have substantially altered the balance of payments outlook for FY81. Government estimates in June 1980 projected a prospective financing gap of about $700 million in FY81 on the basis of 8-9% growth of both exports and imports, expected remittances of about $1,575 million, a current account deficit of about $1.2 billion and net long-term capital inflows of around $600 million. While exports are now expected to rise by a further $240 million due to good Kharif crops and remittances by another $478 million, the liberalization of imports is expected to increase substantially the current account deficit in FY81 to about $1.6 billion (Table I.26). Allowing for net long-term aid inflows, the level of which (after taking account of the effects of recent debt relief) is now estimated at $825 million, and the additional resources from the IMF, a financing gap of around $189 million remains--a level which could be financed from available reserves and further assistance that may be arranged from as yet unidentified sources.

FY82 and Medium-Term Prospects

91. Government projections of the balance of payments for FY82 (Table I.26) are based on the expectation of continued growth of GDP and exports at 6% per annum in real terms and somewhat lower import growth than expected in FY81, with workers' remittances remaining at present levels in real terms. On the assumption that export and import prices other than for oil rise by 10% annually and that oil prices rise by 12% annually (leading to a slight deterioration of the terms of trade), the government estimates indicate a current account deficit of $1,532 million or 4.4% of GNP in FY82.

92. The Government's export projections for FY82 assume further growth of the two key agricultural exports--raw cotton and rice--with export volumes increasing at around 5% and 3% per annum, respectively, following particularly rapid growth of these items in FY81. In addition, the volume of cotton yarn exports is assumed to grow at 10% per annum and cotton cloth exports by over 7% per annum. These assumptions depend on the attainment of good crops and yield improvements, as well as a continuing increase in Pakistan's share of the world market for these commodities. The growth in the volume of imports is expected to level off in FY82 after the sharp rise in FY81 once deferred input needs have been met. The timing and extent of the effects of recently announced import liberalization measures in FY81, however, are uncertain and these could spill over into FY82. The expected slowdown in imports in FY82 also reflects substantial progress towards import substitution since sugar imports are assumed to be eliminated and wheat, cement, steel and synthetic yarn imports to be reduced.

93. The Government assumes disbursements in FY82 from the project aid pipeline to be around $712 million. This, together with $165 million from the projected non-project aid pipeline (Table I.27), would provide $877 million (Table I.28).

Table I.27: FOREIGN ASSISTANCE: COMMITMENTS, DISBURSEMENTS AND PIPELINE, 1979/80-1981/82

(million US$)

	Project	Non-Project	Total
Undisbursed Balance, July 1, 1979	2,505	214	2,719
Aid commitments FY80 /a	1,003	711	1,714
Total available	3,508	925	4,433
Disbursements FY80 /a	808	662	1,470
Undisbursed Balance, July 1, 1980	2,700	263	2,963
Aid commitments FY81 /b	800	395	1,195
Total available	3,500	658	4,158
Disbursements FY81 /b	748	372	1,120
Undisbursed Balance, July 1, 1981	2,752	286	3,038
Aid commitments FY82	800	520	1,320
Total available	3,552	806	4,358
Disbursements FY82	750	450	1,200
Projected Undisbursed Balance, July 1, 1982	2,802	356	3,158

/a Including IMF Trust Fund loan of $157 million and Saudi loan to Zakat Fund of $200 million.
/b Including IMF Trust Fund loan of $15 million.

Source: Economic Affairs Division.

94. Total new commitments assumed by the Government for FY82 are about 10% higher in nominal terms than last year's levels; allowing for price increases, this represents little increase in real terms. Almost all of the increase in commitments is expected to take the form of non-project assistance (including assistance for Afghan refugee relief) which has been assumed to be about 30% higher in nominal terms than last year's increased level of about $400 million. Official estimates of disbursements from new commitments are $323 million. Allowing for small amounts of private capital inflows and another $100 million to be raised from as yet undetermined sources, a financing gap of about $82 million remains, on the assumption that the level of gross reserves will remain around $500-600 million or 4 weeks' imports.

Table I.28: PROJECTED EXTERNAL CAPITAL REQUIREMENTS AND INFLOWS, 1981/82

(million US$)

	1981/82
Capital Required	1,866
Current account deficit	1,532
Amortization	334
Disbursements from Pipeline	877
Project assistance	712
Non-project assistance	165
Disbursements from New Commitments	323
Project	38
Non-project	285
Other Net Capital /a	584
Gap	82

/a Including estimated net purchases of foreign exchange from the IMF; of the remainder, $100 million is assumed from sources as yet undetermined.

Source: Economic Affairs Division.

Aid Requirements

95. Although the financing gap forecast for FY82 may appear to be manageable, the figure depends on a number of uncertain factors, such as possible further changes in oil prices. It would not be advisable to rely on a continuation of the rundown of reserves, which is now expected to take place in FY81, to cover such contingencies. More importantly, the currently forecast short-term financing gaps should not be the only major consideration for formulating decisions on commitment of assistance to Pakistan for FY82 and subsequent years. Even with continued determined reform efforts by GOP, the balance of payments situation is expected to remain tight throughout this decade, suggesting that a forward look at the problems and uncertainties which continue to confront Pakistan can provide a useful background for decisions on future external assistance. To facilitate this process, Bank staff projections of the longer-term economic prospects up to FY88, and their implications for the management of Pakistan's balance of payments over these years, are discussed in more detail in Part II of this report.

96. The latter part of the 1970s was marked by a declining trend of external support; the effect of this on GOP's development plans can be seen in Table I.20 above. The welcome resurgence of support indicated at the mid-June 1980 meeting of the Pakistan Consortium has helped to arrest this adverse trend. However, unless there are further substantial increases in aid commitments over the next few years, there will be a continued decline in net flows of long-term assistance to Pakistan during the 1980s.

97. Table I.29 below shows that a trend of gradual increases in aid commitments, in line with the expected level of international inflation, would not arrest this decline in real net transfers as a result of the rising burden of amortization on outstanding official debt. The table also shows the order of magnitude of commitments over the coming years which are necessary to maintain the real value of disbursements less amortization of official loans through the 1980s.

98. These illustrative projections indicate that aid commitments will need to be substantially increased through FY82 and FY83. Increases in aid commitments in the order of 35-40% in each of these years would be required in order to prevent a further decline in net transfers of foreign exchange in real terms. Following the recent severe cutbacks in public expenditure programs, both current and development spending must grow in real terms in the coming years, so that increased aid commitments would also need to be accompanied by considerable further efforts in domestic resource mobilization on the part of GOP. The analysis of possible economic trends to FY88 suggests that the maintenance of the real value of net disbursements of official long-term assistance should be regarded as a minimum objective for donors, in order to permit a continuation of modest improvement in incomes per head through the 1980s.

Table I.29: ALTERNATIVE TRENDS IN OFFICIAL LOANS, 1979/80-1987/88

(million US$)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
I. Trend of Constant Commitments in Real Terms: 1979/80-1987/88									
Commitments: /a									
Project lending	810	905	1,062	1,255	1,369	1,456	1,545	1,636	1,734
Program lending /b	207	184	308	100	100	100	100	100	100
Total commitments	1,017	1,089	1,370	1,355	1,469	1,556	1,645	1,736	1,834
Gross disbursements	1,099	1,169	1,232	1,125	1,193	1,301	1,400	1,498	1,595
Amortization	-273	-342	-371	-415	-420	-484	-532	-574	-620
Net disbursements	826	827	861	710	773	817	868	924	975
Total commitments (1979/80 prices)	1,017	990	1,151	1,059	1,072	1,066	1,061	1,052	1,048
Net disbursements (1979/80 prices)	826	752	723	555	564	560	560	560	557
Share of public expenditures financed by net disbursements: /c									
(a) % of total expenditure	13	13	12	9	9	8	8	7	7
(b) % of development expenditures	32	32	29	21	20	19	18	17	16
II. Trend of Constant Net Disbursements in Real Terms: 1979/80-1987/88									
Commitments: /a									
Project lending	810	905	1,187	1,652	1,801	1,936	2,074	2,242	2,417
Program lending /b	207	184	378	175	175	175	175	100	100
Total commitments	1,017	1,089	1,565	1,827	1,976	2,111	2,249	2,342	2,517
Gross disbursements	1,099	1,169	1,321	1,287	1,450	1,646	1,828	1,937	2,106
Amortization	-273	-342	-371	-415	-420	-484	-532	-578	-633
Net disbursements	826	827	950	872	1,030	1,162	1,296	1,359	1,473
Total commitments (1979/80 prices)	1,017	990	1,318	1,427	1,442	1,446	1,451	1,419	1,438
Net disbursements (1979/80 prices)	826	752	798	681	752	796	836	824	842
Share of public expenditures financed by net disbursements: /c									
(a) % of total expenditure	13	13	13	11	11	11	11	11	10
(b) % of development expenditures	32	32	32	26	28	27	26	25	24

/a Unless otherwise stated, amounts shown are in current prices.
/b These figures do not include Trust Fund loans from the IMF. For 1980/81 and 1981/82, the commitments (and disbursements) of program assistance include the amounts of debt relief agreed at the January 1981 meeting of the Pakistan Consortium: amortization figures for those years include the payments which will be offset by this debt relief.
/c Total public expenditures and development expenditures are assumed to increase by 5% p.a. and 6% p.a., respectively, in real terms, from the levels shown for 1980/81 in Table I.20.

Source: Bank staff projections.

PART II: STRUCTURAL ISSUES FOR THE 1980s

A. Introduction

1. The commendable economic recovery in Pakistan over the past three years has been accompanied by policy measures which have achieved a welcome measure of economic stability. Over the past 18 months, the short-term situation has been transformed from one of dwindling foreign exchange reserves and excessive domestic bank financing of public deficits, to a situation where the balance of payments appears to be manageable at least over the coming 2-3 years and public sector deficits have been reduced to more acceptable levels. This turn-around has been achieved through a determined application of demand management policies, the formulation of a three-year economic reform program which the International Monetary Fund (IMF) has agreed to support with substantial resources, and agreement on short-term debt relief with bilateral members of the Pakistan Consortium. These successes provide an opportunity for policy-makers to move away from a preoccupation with short-term economic stabilization problems and to focus increasingly on longer-term issues. This section of the report identifies and comments on a number of policy problems which will need to be addressed if the recent years of recovery are to be followed by an extended period of dynamic economic growth and development.

2. A long-term improvement of living standards in Pakistan will require sustained increases in production. GOP has renewed its commitment to population planning and a revised population plan, described in Part III of this report, is to be put into effect over the next few years. However, even if this plan is effectively implemented, the rate of population growth is unlikely to fall much below 3% per year over the present decade, so that a 5-6% annual rate of economic growth should be regarded as a minimum objective for the 1980s. A target of this order has been accepted as the basis for the agreed EFF program. The review of current trends in Part I indicates that Pakistan has successfully embarked on the course sketched out in the EFF program. This part of the report seeks to analyze the conditions under which growth could be continued at a similar pace through the remainder of the decade.

3. The background for this analysis is provided by a set of projections of macro-economic variables to FY88, which are summarized in paragraphs 9-19 and described in more detail in Annex III. A large number of assumptions are required to generate any set of long-term economic projections, and the assumptions considered in this report certainly do not exhaust the range of possibilities. Nevertheless, the analysis provides a clear indication that an economic growth rate of around 5.5% p.a. can be sustained through the 1980s only if it is based on strong efforts to promote savings and exports and to limit imports through the promotion of efficient import replacement. Furthermore, the foreign exchange requirements of such growth would require increased commitments of external assistance together with a growing flow of remittances.

4. The achievement of these requirements for sustained growth must be regarded as an ambitious objective, especially in the difficult international circumstances which are currently forecast for the 1980s, and will require a careful analysis of existing policies, programs and institutions in Pakistan to ensure that they are oriented towards generating the investment requirements for increased production, accompanied by improvements in efficiency.

5. The necessary reassessment of policies has already started. GOP has embarked on a review of its medium-term plans for the allocation of public investments. Agricultural pricing policies are being reoriented to bring domestic prices for major crops and key inputs increasingly into line with those prevailing in world markets. A phased program of import liberalization has commenced as part of an effort to improve the efficiency of industry and, ultimately, all sectors of production. Efforts to mobilize increasing domestic resources to support public investment are being continued through measures to limit budgetary subsidies and to effect further improvements in the taxation system.

6. While these actions represent a substantial program by GOP, it is recognized that the reform process which has commenced can only be implemented over an extended period of time and that there are a number of structural problems which have yet to be addressed. Some of the outstanding policy issues in the areas of agriculture, industry and energy are outlined below, following an analysis of possible trends in key economic variables through the 1980s. Part II concludes with a discussion of how GOP's current efforts to revive a process of effective public expenditure planning can be strengthened over the next few years.

B. The Economic Setting

7. In order to provide a background for the subsequent discussion of development policy issues, this section seeks to outline, in broad terms, the conditions under which a modest growth of incomes per head might be sustained through the years to FY88. The degree of uncertainty regarding future trends in economic variables inevitably affects such judgments. Nevertheless, medium-term projections can serve a useful purpose. Lead-times of several years are required to formulate and implement policies for structural change and programs for allocating development expenditures. Similar lead-times are needed to build up a pipeline of external assistance to support such programs. In this context, it is worthwhile to attempt a forward look at the order of magnitude of the likely financing requirements associated with a reasonable minimum target rate of growth through the 1980s, so as to ensure that short-term decisions are consistent with longer-term considerations.

8. The following paragraphs summarize a possible set of assumptions required for such an analysis: these assumptions are then used to generate projections of growth and the balance of payments presented in Tables II.1

to II.4. 1/ The more detailed description and explanation of the underlying set of assumptions provided in Annex III includes further analysis of the sensitivity of the projections to variations in assumed trends for selected variables.

9. Table II.1 sets out the assumed rate of growth of the economy to FY88, together with the projected changes in the sectoral composition and trends in expenditure and savings ratios over time. The achievement of such growth rates for Pakistan is contingent on sustained improvements in agricultural and industrial production over the coming years. The projections are based on assumed average growth rates over the period of 4% p.a. for agriculture, 6% p.a. for industry and 5.8% p.a. for other sectors; the actual rates of growth achieved in any year would obviously fluctuate depending inter alia on factors such as weather and the timing of completion of major industrial units. The difficulty of achieving a sustained improvement of 4% per year in agricultural output should not be underestimated, particularly as this growth is projected from a base which represents production peaks for most major crops, attained under relatively favorable weather conditions. However, unless such improvements can be maintained, there would be serious adverse effects on the growth and distribution of GDP and on the balance of payments, since rice and cotton are major exports while wheat production must be increased in order to prevent a renewed growth of import requirements. In the industrial sector, some further recovery in production can be achieved by improving the efficiency of existing units, especially in the large public sector. However, to achieve sustained industrial growth will require considerable further investment, particularly outside the public sector. Given the expected continuing limits on resources to support public expenditure, there is little scope for the Government to finance more than a small proportion of the investment needed to expand and modernize industrial capacity. The encouragement of a revival of private investment is, therefore, not only the current policy of GOP but also a matter of necessity.

10. In order to generate such growth rates, overall investment is assumed to increase at an average rate of just over 6% p.a., so that the share of investment to GNP rises from 16% to 18% over the projection period. In order to improve the proportion of investments that can be financed from domestic savings, the Government is assumed to pursue policies to increase the rate of savings from 12% to 16% of GNP by FY88. It will not be easy to realize this assumption. Although GOP's economic policies have been successful on many fronts, savings rates have consistently lagged behind expectations. In the context of the Government's declared objective of introducing Islamic concepts into economic management (see also Annex II), interest rates have not been and seem unlikely to be used as a major policy tool for mobilizing private savings through the banking system. Until alternative mechanisms are developed, the chief means for inducing private savings appears to be through the creation of opportunities for private investment.

1/ The projections in these Tables and in Table I.29 are based on information available in December 1980, so that there are some divergences with revised figures for FY80 and FY81 in Part I which are based on information up to March 1981.

Table II.1: GROWTH AND COMPOSITION OF GDP, 1979/80-1987/88

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Growth of GDP (% per year)	7.9	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
GNP/per capita ($ per head 1979/80 prices)	296	302	309	317	324	332	340	349	358
Sectoral Composition of GDP (%)									
Agriculture	29	28	28	28	27	27	27	26	26
Industry	22	22	22	22	22	22	22	23	23
Other	41	41	41	42	42	42	42	42	43
Indirect taxes less subsidies	9	9	9	9	9	9	9	9	9
Expenditure and Savings Ratios (%)									
Consumption	94	96	94	92	91	91	91	90	90
Investment	17	17	17	17	17	17	18	18	18
Exports (goods and non-factor services)	14	14	14	14	14	14	15	15	15
Imports (goods and non-factor services)	25	26	25	24	23	23	23	22	22
Gross domestic savings/GDP	6	4	6	8	9	9	9	10	10
Gross national savings/GNP	12	12	13	14	15	15	15	16	16

Source: Bank staff estimates.

11. Improved public savings are also urgently required. The Government's policy of reducing existing subsidies will make an important contribution to savings. Scope also exists for increasing revenues through further improvements in the efficiency of the taxation system. With assistance from the IMF, GOP is undertaking a review of the system of indirect taxation in order to improve the elasticity of revenues to economic growth. The most important means for boosting public savings in the next few years, however, may be through the improvement of the financial performance of public enterprises. This would require inter alia the pursuit of more flexible pricing policies to generate profits which could, in turn, finance an increasing share of future investment needs and may contribute indirectly to savings by reducing consumption. Unless a substantial improvement in savings performance can be brought about through a combination of these efforts, there would be a corresponding increase in financing requirements, and growth targets may have to be revised downwards as a result of tightening balance of payments constraints. 1/

12. Total public expenditure is assumed to increase at 5% p.a. in real terms over the projection period. Within this total, public investment is assumed to increase at 6% p.a. in real terms, with the bulk of investments in agriculture, water, energy, infrastructure and improved social services rather than industry. The assumptions regarding public expenditure are consistent with providing a minimum degree of improvement in the provision of government services over the period while leading to a gradual decline of public expenditure expressed as a share of GDP. It is further assumed that there is continued restraint on domestic bank financing of budget deficits and that a cautious monetary policy is pursued so that the general rate of domestic inflation remains in line with expected world inflation, falling gradually from 10% towards 6% over the projection period.

13. Pakistan's exports are expected to grow rapidly over the next two years. The volume of agricultural exports has been projected to increase by over 7% in the years to FY83. The realization of these assumptions will depend not only on a succession of good crops but also on a continuing increase in Pakistan's share of world markets for these commodities. A more modest growth of agricultural and agricultural based exports has been assumed for FY83 to FY88, broadly in line with the assumed average growth of agricultural output at 4% p.a. The export projections assume further modest improvements in Pakistan's share in relevant world markets, which may be difficult to achieve in view of the substantial need for rehabilitation and modernization in the textile industry and the intense competition from other suppliers. The volume of manufactured exports and other non-agricultural exports are assumed to increase by 11% p.a. and 8.5% p.a., respectively.

14. Imports are expected to increase sharply following the liberalization of administrative constraints in December 1980 but are expected to level off once deferred import needs have been met; average import growth of approximately 5% p.a. in constant prices has been assumed from FY79 to FY83, reflecting a return to a "normal" long-term trend by FY84. This broad trend is

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1/ For a more extensive discussion of resource mobilization issues, see Volume II of World Bank Report No. 1924-PAK, "Pakistan: Development Issues and Policies," dated April 1978.

expected to be followed for the subsequent years. Import volumes of capital and intermediate goods are assumed to rise by 6% p.a. in line with expected trends in investment and industrial production. A lower--2% p.a.--average rate of growth has been assumed for food imports following the expected attainment of self-sufficiency in wheat and sugar, while imports of other consumer goods are assumed to grow in line with overall consumption. Although the potential for future increases in domestic petroleum production appears to be promising, there are considerable uncertainties regarding the timing and pace of development. It has been assumed that domestic production can increase by an average 15% p.a., leading to a trebling of domestic production over the eight-year projection period. Total demand growth is assumed to be held in line with general economic growth, resulting in a 3% p.a. average increase in petroleum import requirements over the period.

15. Long-term prospects for prices of the major exports of cotton and rice appear to be favorable for the coming years. Nevertheless, Pakistan's terms of trade remain subject to the considerable uncertainty regarding the future movement of petroleum prices; the assumed trend of an average 11% p.a. increase in nominal petroleum prices may be viewed as somewhat conservative in the light of recent developments. However, it could be expected that, if oil prices were to increase more rapidly over the next few years, there would be upward pressure on all other prices. Accordingly, it has been assumed that the terms of trade would decline gradually by 6% over the projection period.

Table II.2: CHANGES IN EXPORTS AND IMPORTS AND TERMS OF TRADE, 1979/80-1987/88

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Rates of Growth (% per year)									
Exports of goods	21.3	9.2	6.1	6.5	6.8	7.0	7.1	7.2	7.3
Imports of goods	4.1	12.0	-1.5	-1.9	3.9	5.0	5.0	5.0	5.0
Price Indices (FY80 = 100)									
Export prices	100	107	117	128	135	144	154	161	175
Import prices	100	106	118	131	142	153	163	175	187
Terms of trade	100	101	99	98	95	94	94	94	94

Source: Bank staff estimates (see paragraphs 13 to 15).

16. In recent years, the flow of remittances from Pakistanis working abroad has become by far the largest single component of Pakistan's foreign exchange receipts. Although emigration has placed some strain on the domestic economy, these increasing receipts have been instrumental in preventing a

massive disruption in Pakistan's economy. Despite extensive research into the effects of labor migration (see Annex I), a great deal of uncertainty remains regarding the future trend of remittances. The available evidence, however, suggests a continuing net outward flow of migrants. If it is assumed that inflation and real wage increases would boost the nominal value of overseas earnings by around 10% p.a., it would seem reasonable to expect a growth of remittances between 10% and 15% p.a. over the coming years. A rate of 12.5% has been assumed in the projection shown in Table II.3.

17. External Assistance. It has been assumed for projection purposes that grants will continue to constitute a minor proportion of total aid disbursements with some decline from the present levels, of which a substantial proportion represents support for the maintenance of Afghan refugees. It has also been assumed that the pattern of aid commitments over the coming years will be such as to maintain a net inflow of long-term concessional loans (i.e., disbursements less amortization) which is broadly constant in real terms. As foreshadowed in the conclusion to Part I (paragraphs 95-98), the maintenance of the real value of net disbursements through the 1980s will require further substantial increases in commitments of long-term assistance in FY82 and FY83. The combination of assumptions regarding future commitments of both project and program type assistance which is set out in Case II of Table I.29 on page 44 has been used to generate balance of payments projections. These commitments lead to a growth of gross disbursements sufficient to maintain the purchasing power of net inflows in the face of increasing debt service obligations over the course of the decade. The adequacy of the assumed trend of external support for Pakistan is assessed in paragraphs 20-23 below.

18. No assumptions have been made regarding further agreed IMF programs beyond the end of the present EFF arrangements, so that repurchases from the Fund are assumed to increase rapidly after 1984. On this basis repurchases, together with service charges on outstanding purchases, would increase to over $400 million per year by FY87.

19. As regards other capital flows, private overseas investment has been assumed to increase at 12% p.a. over the projection period. It has also been assumed that there will be no net change in the outstanding balance of short-term overseas debt, or in the recent special deposits with the State Bank of Pakistan. The projections assume no significant net change in foreign exchange reserves to FY83, resulting in an expected decline in reserves expressed in terms of purchasing power over imports. It has been assumed that reserves will be rebuilt gradually after FY83 so as to reach a level representing 1.5 months of imports of goods and services by FY88.

20. Table II.3 draws together the assumptions set out above to present a tentative balance of payments projection to FY88. This projection underlines the serious structural problem created by the existing large gap between Pakistan's imports and exports. Even though exports are projected to grow nearly 40% faster than imports, the resource gap (defined as the difference between exports and imports of goods and non-factor services) more than doubles over the projection period. Even if the growth of remittances can be sustained at 12.5% p.a., the current account deficit would, nevertheless, almost double from just over $1.0 billion to close to $2.0 billion. Although the current account deficit would decline from approximately 5% to a little

Table II.3: BALANCE OF PAYMENTS PROJECTIONS, 1979/80-1987/88

(million US$)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Exports (f.o.b.)	2,365	2,766	3,211	3,722	4,212	4,791	5,482	6,281	7,184
Imports (c.i.f.)	5,177	6,167	6,733	7,323	8,301	9,341	10,484	11,790	13,226
Non-factor services (net)	249	245	287	323	371	424	482	549	624
Resource Gap	-2,563	-3,158	-3,235	-3,278	-3,718	-4,126	-4,520	-4,960	-5,418
Factor services (net)	1,438	1,559	1,736	1,960	2,199	2,465	2,770	3,118	3,511
(of which: workers' remittances)	(1,748)	(1,900)	(2,138)	(2,405)	(2,705)	(3,043)	(3,424)	(3,852)	(4,333)
Current Account Balance	-1,125	-1,599	-1,499	-1,318	-1,520	-1,661	-1,749	-1,842	-1,907
Long-Term Capital (net)	1,111	1,096	1,151	1,038	1,535	1,914	2,212	2,499	2,618
Grants	252	200	150	120	100	100	100	100	100
Loans: official/a	1,099	1,169	1,321	1,287	1,450	1,646	1,828	1,937	2,106
private/b	78	51	27	12	352	582	724	1,012	1,139
Other/c	32	88	90	90	101	113	126	142	159
Amortization: official debt	-273	-342	-372	-415	-420	-484	-532	-578	-633
private debt	-77	-70	-65	-57	-48	-42	-35	-113	-253
IMF Trust Fund loans	157	15	-	-	-	-	-	-	-
Official short-term borrowing	31	36	-	-	-	-	-	-	-
Other short-term flows/d	280	57	-	-	-	-	-	-	-
Net IMF purchases	-83	241	394	425	85	-103	-238	-357	-361
Change in Reserves (- indicates increase)	-372	153	-46	-145	-100	-150	-225	-300	-350
Memorandum Items:									
Current account balance (1979/80 prices)	-1,125	-1,454	-1,260	-1,030	-1,109	-1,138	-1,128	-1,116	-1,089
Current account balance (as % of GDP)	-4.9	-6.0	-5.0	-3.9	-3.9	-3.8	-3.6	-3.4	-3.2
Financing gap:/b	-	-	-	-	340	578	724	1,012	1,139
Reserves (as months of imports of goods and services)	1.5	1.0	1.0	1.1	1.1	1.2	1.3	1.4	1.5
Debt service ratio/e	14.6	15.2	13.9	12.8	11.3	12.5	13.5	14.8	15.3

/a The gross disbursement and amortization figures for official loans include all debt service due on official loans prior to the January 1981 debt relief agreement. The agreed amounts of additional debt rescheduling have been entered as additions to gross disbursements of official loans for 1981/82.
/b For 1980/81 to 1987/88, the disbursements of private commercial loans are equivalent to the financing gaps which are derived as the residual item of the balance of payments accounts for these years.
/c Including private overseas investment.
/d Including allocations of SDRs and deposits of foreign exchange with the State Bank of Pakistan.
/e The ratio of all interest plus amortization payments on medium and long-term loans, together with service charges and repurchases associated with outstanding IMF purchases, expressed as a ratio of exports of goods and services.

Source: Bank staff estimates (see paragraphs 9 to 19).

over 3% of GDP by FY88 under these assumptions, the real value of this deficit would remain almost constant in real terms. Table II.3 also shows that the capital flows which would follow from (a) a reversal of net purchases of foreign exchange from the IMF after 1983, (b) the assumption of net disbursements of long-term assistance which are steady in real terms, and (c) the need for additions to reserves in the latter part of the period, would not be sufficient to cover the current account deficit over time. The uncovered financing gap would widen rapidly over the latter part of the 1980s.

21. It would not be possible, in practice, to cover these widening gaps through commercial borrowing. Even if the funds could be raised, the amortization burden of such borrowings up to FY88 would rise to over $500 million p.a. by FY90. Accordingly, the projections in Table II.3 are not presented as a prediction of likely trends but to highlight the need for imaginative policies and tight economic management, backed by continuing external support throughout the 1980s. The implication of this projection is that the growth target of 5-6% p.a. for the 1980s may not be sustainable unless the current account deficit can be reduced in real terms over time, e.g., through a possibly faster growth of remittances or a more rapid increase in domestic petroleum production than has been assumed above; or there are significant improvements in long-term capital flows compared to the assumptions used to generate Table II.3.

22. If remittances of foreign exchange could be assumed to increase by 15% p.a. (as compared to the 12.5% annual growth assumed in Table II.3), then the current account deficit would decline more rapidly to be less than 2% of GDP by FY88. Table II.4 shows that, in this event, the correspondingly reduced financing gaps could be financed by prudent amounts of commercial borrowing. If remittances were to grow less rapidly than 15% p.a., the financing requirements of 5-6% economic growth could be met by a more rapid development of domestic oil and gas resources, or an increase in net inflows of external assistance in real terms through the 1980s.

23. The uncertain overall environment for global trade and economic growth increases the risk inherent in a strategy that places heavy reliance on very rapid improvements in the current account balance of payments. The assumption of sustained rapid growth of exports could prove too ambitious, while neither the continuing rapid growth of remittances nor the prospects for successful petroleum exploration can be regarded as being more than partly subject to the Government's control. Accordingly, it would appear to be reasonable for donors to regard maintaining a trend of constant real levels of net disbursements of long-term assistance as a minimum objective for the foreseeable future. As already noted in Part I (paragraph 98), if such an objective were accepted, it would need to be reflected in increased aid commitments over the next two years, representing a continuation of the welcome trend of increased assistance indicated at the mid-June 1980 meeting of the Pakistan Consortium. To support the case for such an increase, GOP decision makers will need to continue the recent impressive record of policy improvements in the critical areas discussed below.

Table II.4: BALANCE OF PAYMENTS SENSITIVITY ANALYSIS, 1979/80-1987/88

(million US$)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Case (A): "Base Case"									
Workers remittances increasing at 12.5% p.a.	1,748	1,900	2,138	2,405	2,705	3,043	3,423	3,852	4,333
Current account balance	-1,125	-1,599	-1,499	-1,318	-1,520	-1,661	-1,749	-1,842	-1,907
Net IMF purchases	-83	241	394	425	85	-103	-238	-357	-361
Debt relief/a	-	74	158	-	-	-	-	-	-
Financing gap/b	-	-	-	-	340	578	724	1,012	1,139
Debt service ratio/c	14.6	15.2	13.9	12.7	11.3	12.5	13.5	14.8	15.3
Case (B): Remittances Increasing at 15% p.a.									
Workers remittances	1,748	1,900	2,185	2,513	2,890	3,323	3,822	4,395	5,054
Current account balance	-1,125	-1,599	-1,452	-1,206	-1,323	-1,346	-1,280	-1,175	-987
Net IMF purchases	-83	241	394	425	85	-103	-238	-357	-361
Debt relief	-	74	58	-	-	-	-	-	-
Financing gap	-	-	-	-	143	263	255	296	92
Debt service ratio	14.6	15.2	13.8	12.5	11.0	11.8	12.4	12.8	12.3

/a The amounts of debt relief shown are the amounts negotiated for January 1981 to June 1982 at the special meeting of the Pakistan Consortium in January 1981.
/b These gaps are assumed to be covered by commercial borrowing, repayable at 11.5% over 7 years with 3 years grace.
/c The ratio of all interest plus amortization payments on medium and long-term loans, together with service charges and repurchases associated with outstanding IMF purchases, expressed as a ratio of exports of goods and services.

Source: Bank staff estimates (see paragraphs 9 to 19).

C. Agriculture

24. As noted in Part I, there is considerable potential for increasing agricultural production in Pakistan through improvements in yields. The average increase in yields during the 1970s was modest, despite the further spread of improved varieties, additions to the availability of water at the farmgate through massive investments in Tarbela Dam and other irrigation facilities, and a dramatic increase in the use of inputs such as fertilizers and pesticides encouraged by the provision of substantial subsidies. Moreover, it has become evident that the policy of heavy subsidization of inputs can no longer be continued in view of the rapidly increasing burden imposed by this policy on scarce public resources. Accordingly, in line with the recommendations of the UNDP Indus Basin Study, GOP has adopted a revised agricultural strategy which places less reliance on subsidies to promote farm production and more reliance on improved efficiency in the use of inputs, and the diversion of funds from subsidies to quick-yielding investments and support services to improve the effective use of available water supplies and other resources.

25. Recent decisions on the pricing of agricultural products and key inputs have been in line with the revised policy. These decisions have shown that the Government is well aware of the need to maintain farmer incentives by ensuring that reductions in subsidies on inputs are matched by appropriate increases in support/procurement prices for farm products and by an enhanced availability of credit to cover farmers' increased seasonal financing requirements. The Government is also conscious that increases in support/procurement prices for crops have to be weighed carefully to ensure that they do not run counter to the achievement of other policy objectives. For example, care has to be taken that price increases do not generate excessive inflationary pressures, nor render exportable products uncompetitive in world markets. At the same time, any attempt to shield either producers or consumers from the impact of increased input costs would regenerate the problem of growing budgetary subsidies. GOP has recently announced the establishment of an Agricultural Prices Commission charged with the gathering and analysis of farm-level and other data in order to recommend the extent and timing of appropriate adjustments in the pricing of major agricultural input and output prices. It is expected that this Commission will begin to make a valuable contribution to policy-making from 1981 by providing a consistent and timely input into these crucial pricing decisions. However, in the long run, the adjustment of prices to reduce and eventually eliminate subsidies while maintaining farmer incentives will become increasingly difficult unless significant improvements are achieved in the response of yields to inputs such as fertilizers.

26. In the past few years, considerable success has been achieved in improving the logistics of input distribution, and the establishment of provincial coordinating committees for each major crop should help bring about further improvements. Some progress has also been made in ensuring an improved flow of seasonal credit to take account of increases in input costs, although (as noted in Part I) the rapid expansion of the provision of interest-free credit to small farmers could become excessively costly and will require close attention. A policy option which GOP should consider in order to ease the potential problems of agricultural pricing, consistent with limiting subsidies, would be to take advantage of a period of adequate availability of wheat

supplies in order to abolish, or at least substantially reduce, the existing system of rationing and replace it by open market operations.

27. Efforts to promote the availability and efficient use of inputs will need to be backed by focused programs of organizational change and investment which will be particularly crucial in the areas of research, extension services and on-farm water management. Improvements in all three of these areas will be difficult and time-consuming and it is therefore essential that programs to achieve this objective be pursued with maximum possible momentum. Substantial preparatory work on such programs has now been completed; the next 12-18 months will hopefully be marked by significant progress in their implementation. The formulation of a revised public investment program for FY82 to FY84 will provide an opportunity for the Government to ensure that adequate financing will be available for research, extension services and on-farm water management schemes as well as for other key projects and programs identified by the UNDP Indus Basin Study.

28. In the water sector, major emphasis is to be placed by GOP on the rehabilitation of the existing irrigation system, the promotion of water course improvements, the provision of essential drainage and improved management throughout the system to maximize the returns from existing water supplies. Private tubewell development is to be encouraged in sweet groundwater areas by the provision of credit and rural electrification, and existing public tubewells are to be turned over to private ownership and operation where feasible. Preliminary work on these proposals should be converted into major programs of implementation as soon as possible.

29. The maintenance and rehabilitation of irrigation facilities require urgent attention. There is clear evidence that present maintenance expenditures are falling far short of needs and a continuation of these trends would result in a dangerous deterioration of the system. Although total operation and maintenance expenditure on existing facilities has been gradually increased, an increasing proportion has been devoted to meeting the rapidly rising cost of power to operate tubewells within the public sector irrigation system. It would appear desirable to make a clear distinction between funds allocated for the operation, as against the maintenance or upgrading, of existing physical assets. In order to highlight the importance of maintenance efforts and possibly facilitate the provision of support from the federal budget, it may be desirable to transfer maintenance expenditures from the recurrent to the development components of provincial budgets. At the same time, there should be increased efforts by the provinces to finance increased spending on irrigation through higher rates for water charges. Water charges have been allowed to fall progressively in real terms over time, so that they finance only a fraction of actual, let alone desirable, expenditures on the maintenance of the irrigation system. Recognizing socio-political realities, it will take several years to increase water charges to cover adequate maintenance expenditures. Increases in water charges are called for as part of a general need for mobilizing resources to support public expenditures for development; however, the inevitable delay in implementing such increases should not be allowed to hold up essential and urgent maintenance of the irrigation system.

D. Private Investment

30. The promotion of a rapid expansion in private investment, particularly in the industrial sector, is a central part of GOP's strategy for economic development through the 1980s. The Government's revised attitude towards the private sector, combined with its success in stabilizing short-term economic conditions, has already helped to bring about a welcome recovery of private investment from its extremely depressed level in the mid-1970s. In making further adjustments of industrial policy to sustain this improvement, GOP should not simply add further layers of investment incentives in order to maintain a certain rate of expansion of private industry, or seek to promote rapid investment through *ad hoc* reactions to the problems facing particular investors. Rather, the Government should aim to develop generally applicable "rules of the game" that can automatically allow for changing domestic and world market conditions, enable efficient investors to operate profitably and provide for an equitable tax burden on any profits which are made. In some cases, the removal of disincentives may be far more effective than granting additional incentives or concessions.

31. The policy and other revisions discussed below can be grouped into two categories. The first of these are actions designed to ease "frictional" problems which have been brought to light by the recent recovery of private investment. The second category concerns problems relating to the general policy framework, especially with regard to pricing, taxation and protection.

32. A critical constraint to a sustained flow of private investment, particularly with regard to larger-scale projects, is the limited availability of *financing*. During the next few years there will be a tight constraint on the overall net levels of domestic bank lending which are consistent with sound macro-economic management. In order to provide for the credit needs of private investment, GOP should monitor credit allocations closely to avoid a situation where the private sector is allocated a residual after the financing needs of the public sector have been met. The Government should also step up efforts to ensure timely repayment of outstanding borrowings by both public and private enterprises.

33. Particular attention should be paid to the needs of potential large-scale investors in sectors such as cement and fertilizer, where the problems of financing are further complicated by the high foreign currency cost of such investments. Foreign currency requirements of projects may sometimes be obtained in Pakistan through development finance companies such as PICIC or IDBP, or through tied credit lines negotiated with bilateral aid donors. The foreign currency loans available from PICIC and IDBP, however, have fallen well short of demand and will continue to be deficient until these institutions receive strong support to improve their record of recoveries of outstanding loans. The volume of finance available through tied credits from bilateral donors is strictly limited; in addition, reliance on such finance often increases project costs as a result of restrictions placed on the sources of procurement. The Government has encouraged investors to arrange financing directly with foreign suppliers, but such funds are not easily available on acceptable terms. To add to the difficulties of securing foreign financing, potential investors face the problem of arranging, simultaneously, loans to cover the domestic currency costs of their investments.

34. In order to alleviate these problems, which have been a serious deterrent to private investment, GOP should further promote and strengthen financial institutions which can act as investment banks and mobilize finance for large-scale projects from several sources on behalf of project sponsors. The Investment Corporation of Pakistan (ICP) and the recently established Bankers Equity Limited are already beginning to assist investors to some extent in this regard, partly through efforts to mobilize local financing through consortium arrangements among commercial banks. These developments should lead, over time, towards a situation where private sponsors should be able to obtain all of the financing needed for viable investment projects through a single financial intermediary.

35. Private investors continue to be cautious about investing substantial risk capital in larger projects, and the lingering uncertainties about the future of the private sector which stem from the policies of the early and mid 1970s will take time to dispel. Meantime, large-scale investments could be promoted through cooperation between private and public agencies. Arrangements for new projects to be managed by private sponsors who are willing to provide only a small proportion of risk capital are also being promoted by agencies such as Bankers Equity Limited with additional equity participation from sources such as the Pak-Kuwait and Pak-Libya investment companies. These initiatives will hopefully accelerate some badly needed investment in key sectors such as cement. However, there will need to be continuing efforts to create an investment climate which can attract private risk capital on a large scale and on terms acceptable to the Government and investors alike.

36. Although GOP has already acted to streamline the approval process for sanctioning new investment proposals, further scope exists for simplification of government procedures. Receiving a sanction for a proposed project does not clear the way for an investment to proceed, since there are a large number of other approvals (e.g., for acquisition of land, allocation of infrastructure, financing arrangements and import licensing) which are required. Because of the history of high rates of non-implementation, projects are liberally sanctioned and no serious appraisal is undertaken at this stage. There may be substantial benefits to be gained from combining the process of project sanctioning, evaluation and approval of financing arrangements at a single point where the Ministry of Industries, Finance Division, State Bank and import control authorities could be jointly represented. Initially, such a procedure could be implemented for some key sectors where large-scale investments are involved, and gradually extended to cover a wider range of sectors. The role of the Investment Promotion Bureau could gradually be transformed from providing initial clearances to providing assistance to facilitate potential investments.

37. Another immediate area for concern is the present lack of infrastructure facilities (including water, gas and electricity connections) for potential investors. To some extent, these problems can be eased through improved coordination procedures and provincial committees have recently been established for this purpose. In addition, larger investors could be guaranteed timely availability of infrastructure and connection to utilities on the condition that they agree to repay the full marginal cost of such infrastructure and connections within an agreed period. The chronic situation of excess demand

for connections to utilities could probably be eased by moving towards a principle of charging full marginal cost for connections and setting rates for service which provide for cost recovery by suppliers.

38. An increasingly serious problem is being posed by a shortage of skilled manpower. To a large extent, this problem has been created by the outflow of labor to the Middle East. However, in the medium to long term, the success of a government drive to promote private industrial investment would generate a growing domestic demand for skilled manpower. Accordingly, a substantial strengthening of programs for skills training is necessary to prevent a future deterioration in the manpower situation. Prompt implementation of a major vocational training project recently agreed with the World Bank, as well as of other such programs, is of vital importance (see also Annex I).

39. In addition to taking steps aimed at solving the frictional problems discussed above, the Government could make further efforts to reduce uncertainties which face potential investors in Pakistan. One highly desirable action would be to formulate a clear and practicable, revised labor policy which would protect the legitimate rights of employees while providing means to employers to effect measures to improve labor discipline and productivity. The implications for the private sector of Islamization of the economy also needs to be clarified. While there is a widespread acceptance that the Government intends to be pragmatic in its approach to Islamization, there is some uneasiness among businessmen about its possible effects.

Pricing, Taxation and Protection

40. The promotion of investment over the longer term will require a careful in-depth review of the overall structure of industrial incentives in Pakistan, with a view to rationalizing and streamlining the present, complex set of incentives. A study on tariffs which is currently being conducted by GOP should be followed up by a more general study of effective protection levels and of the effects of existing incentives on industrial efficiency. This work should be based on a survey of industrial enterprises to assess the impact on industry of tariffs, indirect taxes, export rebates, price controls and administrative aspects of the incentive system. This study, which would require an extended period, could prepare the ground for an in-depth revision and reorganization of incentives to industry in accordance with Pakistan's comparative advantage and the Government's longer-term industrial strategy.

41. In the more immediate future, it would seem appropriate to examine pricing policies as they affect a number of key industrial and other products in the public as well as the private sectors. Prices for a range of important products in Pakistan are presently set according to a policy which seeks to regulate the rates of returns accruing to producers within a range of 15-20% annual return on net assets employed. The returns to the producers are set at the policy determined levels by adjustments of tariffs, indirect taxes, subsidies, the levying of a "development surcharge" or direct price controls. In some cases, the policy is to set an average rate of return with the same price being received by all producers, while in other cases (e.g., fertilizers) prices are fixed on a firm-by-firm basis.

42. This essentially cost-plus approach to pricing has a number of serious drawbacks which apply most strongly in cases where prices are set separately for individual producers. Perhaps the most important of these drawbacks is that, in a situation of continuing inflation which can be expected to prevail for the foreseeable future, frequent reviews are required of the financial position of all companies concerned, as margins are constantly being squeezed by rising costs. These reviews are administratively cumbersome and time-consuming. By their nature, they place the Government and investors in an almost constant adversary situation. The Government is inevitably anxious to minimize or delay upward adjustments of prices or margins, or downward adjustment of "development surcharges" or excise taxes, in order to limit the negative impact on the budget or on domestic price levels. The procedure tends to put the burden of proof of cost increases on the producers; and in cases where prices are set on a firm-by-firm basis, there are no meaningful incentives for improved efficiency, since any reduction in costs by producers merely results in further delay or reduction in the next upward price adjustment. Moreover, even if costs could be assessed accurately, there are no simple rules for setting appropriate rates of return. The rates of return required to attract investment into different sectors must allow for the differing risks involved in operating in those sectors. Within any sector, different rates of return are required to keep an existing plant operating, to induce adequate reinvestment and modernization or to induce investment in new plants, especially if long-gestation periods are involved.

43. Another problem is that the policy effectively prevents the price system from acting as a signal for indicating where further investment could be most efficient in contributing to economic growth or the balance of payments. For example, although the price of imported petroleum has more than doubled over the past two years, the incentive for locally based companies to invest in increasing production from already discovered fields has not been altered to reflect this massive structural change. For all these reasons, there must be serious doubts as to whether a sustained, dynamic and well-directed program of private investment can be expected to take place through the 1980s under the existing framework of pricing and fiscal incentive policies.

44. While a thorough review of all pricing policies needs to be backed by the detailed study of effective protection rates referred to in paragraph 40 above, urgent attention should be given to a number of important sectors where there is further potential for efficient import replacement but where the unit prices received by producers are less than international prices. The most important examples are cement, petroleum and fertilizers where several domestic producers receive unit prices well below the per-unit cost of imports.

45. In the case of cement, petroleum and fertilizers, the volume of imports has risen over the past three years, despite the potential for increasing domestic production at prices competitive with imports. This trend is placing a considerable burden on Pakistan's balance of payments. While there are problems facing investors which are not connected with pricing issues,

the appropriateness of a policy which provides a strong negative incentive for import replacement needs to be carefully re-examined. The present policy of setting prices in these key sectors indicates a lack of distinction between the concepts of the value of a unit of domestic production to the economy; the resource cost per unit of domestic production; and the after-tax return per unit to domestic producers of these products. Since Pakistan is importing substantial quantities of these products, the value to the economy of each unit of domestic production is the c.i.f. price per unit of the imports which are displaced or saved. However, the prices per unit paid to producers are set well below that value.

46. One argument used to justify this policy is that producer prices which reflected the value of the product could result in excess profits to existing producers, especially for firms which have been in operation for some time and are no longer burdened with high financial charges. While this is a valid consideration, it does not follow that a distortion of the pricing system is a necessary solution. It is possible to design systems of progressive direct taxation which allow a uniform price to be paid to all producers in a particular sector that would reflect the value of the product but would relate the after-tax return per unit to the unit cost of production in a manner which would ensure that the highest rates of tax are paid by the lowest-cost producer, while avoiding excessive profits. Such a system of progressive taxation would automatically provide incentives for improvements in efficiency and for reinvestment by allowing appropriate deductions for reinvestment expenditures out of pre-tax profits. The introduction of such a policy for these key sectors would require a revision of the tax regime. However, the potential benefits which would follow from a timely expansion of these key sectors is sufficient to warrant a re-examination of existing policy.

47. A second argument used to justify the present system is that this policy helps reduce the budgetary burden of subsidies to users of the product; for example, farmers in the case of domestically produced fertilizers. It is argued that, in a situation where producers received prices per unit reflecting the value of their product (combined with progressive taxes to prevent excess profits), there would be an increase in the prices charged to users with an associated increase in domestic cost pressures, or a need for additional budgetary subsidies to maintain the previous prices charged to users. The Government is justified in its concern to prevent disruptions caused by sudden increases in the price and cost structure. However, even if it is considered necessary to provide subsidies to users of some of these products, there is no economic logic in passing the burden of these subsidies back to domestic producers, particularly if this leads to a widening gap between total demand and domestic production, and a consequent seriously adverse effect on the balance of payments. It would be preferable to convert currently implicit subsidies borne by domestic producers into explicit subsidies financed from the budget; these could be substantially funded by additional direct tax revenue from domestic producers which would follow from a revision of pricing and taxation policies.

48. In short, a suitably coordinated revision of pricing and fiscal policies in key import replacement sectors could continue to meet the existing policy objectives; namely, preventing excessive profits and subsidizing users and consumers as considered appropriate. The revised combination of policies

would, however, have considerable advantages over the present system of periodic administrative adjustments. The revised system would avoid the need for regular price renegotiations by providing for automatic adjustment of the net return per unit after tax to producers through the taxation system. Moreover, there would be built-in incentives for increased efficiency and for additional investment which would automatically reflect changes in the value of domestic production to the economy of Pakistan.

E. Public Sector Enterprises

49. Over the last three years GOP has shown an increasing concern with the performance of public sector enterprises. A number of reports on the problems and structure of public industrial enterprises have been commissioned and many of the key recommendations of these studies have already been implemented with a view to improving public sector efficiency and profitability. This has resulted in further decentralization of management decisions; the sale of some public enterprises to private owners; and the closure of several plants which had little prospect of improved financial performance. As noted in Part I, these measures have begun to yield results and there has already been an encouraging improvement in the profitability of public sector industries. Nevertheless, there remains substantial further scope for improvement.

50. Low profitability of the public sector reflects, in part, the Government's concern with social considerations, including the desire to maximize employment opportunities and to limit domestic inflationary pressures. While these are legitimate considerations, it should be borne in mind that some of the goods and services provided by the public sector are available only to small (often the more affluent) sections of the population. To the extent that the failure to earn satisfactory returns limits the Government's capacity to extend the coverage of essential services, there is an implicit subsidization of some sections of the population at the expense of other. It would be desirable to identify and, wherever possible, quantify the extent and income distribution effects of the subsidies implicit in the present financing and pricing structure of public enterprises. A failure to assess the financial impact of pursuing non-commercial objectives makes it impossible to determine whether a lack of profitability results from the existence of social objectives or from poor efficiency and may, thereby, lead to low levels of performance.

51. Measures to improve efficiency in the public sector should range beyond concern with reorganization of corporate structure, lines of reporting and control, and delegation of authority for various types of decisions. A number of steps have already been taken to streamline and decentralize the structure of public sector production. Ultimately, however, effective delegation of responsibility to management requires the existence of agreed means of measuring performance. In the near future, it may be more productive to focus on performance criteria and on the incentives for management to use the authority they have in order to bring about improvements in efficiency.

52. To an even more widespread extent than in the private sector, the prices of goods and services produced by the public sector are presently set to provide a constant, policy-determined rate of return; as in the private

sector, such a system fails to provide any built-in incentives for improving efficiency. Managers of public sector firms are strongly encouraged to maintain or improve rates of production or capacity utilization. However, they have no incentive, other than professional pride, to achieve production goals at least cost. Wherever possible, the existing system of pricing should be reformed to provide such incentives. 1/

53. Whatever incentives are provided, endeavors to improve performance will be constrained by the continuing difficulty in attracting and retaining able managers and skilled manpower within public sector enterprises. To a substantial extent, this problem stems from the low standards of remuneration in the public sector compared to the private sector, which is in turn finding it difficult to retain personnel because of the attraction of much more highly paid opportunities overseas. These labor market pressures must be recognized in setting rates of remuneration in public sector enterprises. GOP has acted, in some cases, to allow greater flexibility to the management of individual enterprises to set remuneration levels. However, it will not be possible to deal with these problems purely on the basis of individual enterprises.

54. In view of the existing constraints on management capacity, GOP should consider a systematic divestment of the smaller public enterprises. Twenty of the smallest industrial public enterprises, i.e., one third of the total number, are responsible for only 5% of total production and include a disproportionate number of problem firms. The sale of the smallest public enterprises would allow the Government to focus attention on the problems of larger enterprises and reallocate scarce managerial talent in the public sector to larger public enterprises.

55. A necessary step to improving productivity is to develop explicit, measurable performance criteria for monitoring trends in efficiency over time for each enterprise. This will not be a simple task. A considerable proportion of goods and services produced by public sector enterprises do not enter into international trade so that border prices do not represent a ready measure of the value of their products. Moreover, the cost of inputs used by these enterprises is frequently not related to their values or opportunity costs (e.g., natural gas used in power generation and fertilizer production). In view of these problems, indicators other than the financial results of these bodies are required to provide a satisfactory means of measuring efficiency. The Government has already taken actions, including setting up an Expert Advisory Cell within the Ministry of Production, to improve the flow of information required to assess the performance of public

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1/ For example, in the case of the Karachi Steel Mill, which is about to come into production, it would be highly desirable to set output prices in some explicit (though not necessarily equal) relationship to the imported products which are displaced. This approach would provide a ready means of monitoring trends in efficiency over time which would not be provided by a cost-plus or fixed rate of return approach to pricing. In addition, there would be an automatic incentive to management to improve cost efficiency (e.g., by continuing to seek to optimize arrangements for backloading of vessels delivering coal and iron ore to the plant).

enterprises. An effective evaluation system of individual enterprises should be established as soon as possible.

56. The most important means for boosting public savings in the next few years may be through the improvement of the financial performance of public enterprises. This could follow from the pursuit of more flexible pricing policies to generate profits which can, in turn, finance an increasing share of future investment needs and may contribute indirectly to savings by reducing consumption. At present, there is excess demand for many of the services provided by public enterprises, partly as a consequence of the widespread existence of implicit subsidies to consumers. As noted above, GOP has embarked on a serious effort to clarify concepts of measuring and improving public sector performance. This should be complemented by further analysis to document the complex financial inter-relations between the Government and the diverse range of public sector enterprises, and to monitor the gradual desired improvement in the flow of revenue directly generated from the public sector.

57. A comprehensive program to remove distortions in the pattern of pricing, to establish agreed performance criteria and to implement programs and provide incentives to improve efficiency of public sector enterprises will necessarily require several years for implementation. Meantime, a substantial short-term improvement in public savings could be achieved by interim revisions of prices charged for goods and services. In the 1980/81 Budget Speech, the Minister for Finance announced that managers of public enterprises would be authorized to charge prices for their products which would allow them to finance their costs of operation and an increasing proportion of investment requirements. In cases where it is judged that the full cost of the provision of publicly produced goods or services cannot be immediately passed on to consumers, there may be merit in providing an explicit subsidy to replace all or part of existing implicit subsidies.

58. In view of the difficulties of mobilizing public savings from other sources, a general policy of setting cost recovery prices is appropriate in the short term. However, in the absence of alternative criteria for measuring performance, it could act as a disincentive for improving efficiency. This is an especially important consideration for public enterprises which are monopolies.

59. In the case of enterprises which face competition, it may be difficult to pursue a policy of setting prices to cover costs without adverse repercussions. This problem has already emerged in the case of Pakistan Railways. Railway charges have been increased sharply over the past 18 months; however, these increases have not succeeded in eliminating financial losses, because the price increases have resulted in an accelerating loss of traffic to competing forms of transport. A considerable proportion of the freight traffic lost by the railways has been taken up by another public body, the National Logistics Cell (NLC). 1/ This problem illustrates the importance of coordinating decisions

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1/ NLC was set up to deal with emergency transport problems during the wheat shortage of 1978. It has now acquired permanent status and *inter alia* operates a fleet of trucks.

on public sector pricing and expenditure; it is not always possible to set cost recovery prices for one enterprise while other enterprises may be operating competing services which may be subsidized, or under conditions where the allocation of demand between enterprises is not responsive to changes in relative prices.

F. The Energy Sector

60. In view of the potential benefits of increased domestic energy production for the balance of payments, the energy sector merits particularly close attention by government decision-makers. While the Government's broad strategy to deal with energy problems is soundly based, there are several policy issues and technical and other problems to be resolved before the potential of already known oil and gas fields, as well as of newly discovered fields, can be effectively exploited.

61. Over the past few years, GOP has been able to limit oil imports by substituting other fuels, particularly natural gas, and by developing hydel generating capacity. Much of the energy requirements of thermal power generation are now met by gas. However, it now appears possible that some thermal power stations may need to switch to fuel oil because of an emerging shortage of gas. A recent study of trends in the supply of and demand for natural gas indicates that, unless natural gas output is developed rapidly, the expected shortfall of 50 millions of cubic feet per day (MMCFD) in the supply of gas in FY81 is likely to widen to 600 MMCFD by FY91, resulting in increased and costly reliance on oil imports. Given the considerable investment costs and lead times involved in harnessing hydro-electric or coal potential, there is an urgent need to develop known oil and gas resources, backed by longer term efforts in exploration for new sources of gas as well as oil.

62. In the short run, there appear to be good prospects for a rapid increase in domestic natural gas production by making maximum use of existing fields at Sui and Mari. GOP has reserved gas from Mari for fertilizer production and committed Sui reserves for the next 20 years, since currently proven gas reserves in Pakistan are considered to be sufficient only until the end of the century at present rates of extraction. However, there would appear to be scope for accelerating production from the currently proven fields, particularly as the gas situation could change dramatically if the newly discovered Pirkoh and Dhodak fields could be proven rapidly and if recoverable reserves at those fields are near present estimates.

63. While the Government is aware of the need for quickly proving Pirkoh and Dhodak, both of which are in the public sector, appraisal drilling is proceeding at a slow pace. Similarly, although exploration for new oil has been intensified, the pace of development of existing public oil fields has been disappointing. Difficulties have been due to several drilling mishaps, geological problems and poor equipment. In addition, the Oil and Gas Development Corporation (OGDC) has continued to be affected by the steady drain of technical personnel, while its operations have been hampered by excessive centralization of decision making at the federal government level

and inadequate delegation of responsibility to the field. These problems will have to be corrected and OGDC substantially strengthened if the pace of development is to be significantly accelerated. Serious consideration should be given to the creation of separate operating companies which would closely associate OGDC and contractors in the execution of projects.

64. The problem of slow development of domestic energy sources extends beyond the public sector. There has also been a slow pace of development of existing "old" oil and gas fields and of exploration to discover new sources of natural gas by the private sector. The existing policy for setting producer prices has meant that, in addition to technical difficulties, the locally based private sector companies have faced persistent financial problems and have little incentive to accelerate their development programs despite the recent increases in world prices for energy. Under recently negotiated agreements, prices of oil produced from new concession areas will be based on prevailing international prices. On the other hand, prices for "old" oil and natural gas are set on the basis of estimated expected average production costs plus a fixed return on capital.

65. As discussed in paragraphs 42 and 43 above, such a system of pricing has a number of important drawbacks. These shortcomings are of particular importance in the oil and gas sector. The expected costs of increased production from existing fields cannot be accurately estimated in advance. Even in the case of existing wells, the marginal costs of optimizing production may be quite different from average costs of production. The low well-head prices for production from known fields, combined with difficulties of drilling and high field costs, fail to provide adequate incentives to producers; give rise to cash flow problems; deter additional investments; and militate against improving efficiency and accelerated recovery of oil and gas from existing fields, even though the foregone output could be produced at a cost well below that of alternative imports. Many of these problems could be avoided through a revision of pricing policy combined with a suitably designed taxation system which would prevent the emergence of excessive profits.

66. In addition to producer prices, prices at the refinery and consumer level need to be reviewed to ensure that they reflect more precisely the economic costs of bringing energy products to the consumer, and that interfuel price relationships are set increasingly on the basis of the opportunity cost of competing fuels. It would be desirable to reduce the present mismatch between refinery output mix and the structure of domestic demand. Until recently the Government was able to export surplus furnace oil and naptha at attractive prices. However, price differentials between products which are imported and exported are now large and net costs of imported products are growing rapidly. The existing cost-plus, fixed return pricing approach provides no incentive to refineries to adapt their product mix to the pattern of demand, to undertake the additional investments necessary for this purpose, or to improve operating efficiency.

67. Measures to improve domestic oil and gas supplies must go hand in hand with efforts to promote conservation of energy. The scope for conservation, as well as for substituting LPG for oil in domestic and transport uses, appears to be substantial, while the development of coal and renewable energy

sources, especially bio-gas, deserves greater emphasis. Since price adjustments are a major means of inducing economies in energy use, appropriate adjustments in consumer prices are called for. This applies particularly in power, where the tariff structure is distorted and capacity or kw charges are well below marginal costs; and in natural gas in the light of expected supply and demand requirements, the opportunity cost of gas and prices of alternative fuels.

68. More generally, measures are required to strengthen the Government's capability to manage the energy sector and to tackle the task of comprehensive energy planning; to evaluate energy sector developments, needs and resources; to assess the many complex investment options for the development of alternative indigenous energy resources during this decade; and to expand and manage programs for energy development and conservation. At the present time energy policy is conducted in an uncoordinated manner; problems are being dealt with largely on a day-to-day basis, with inadequate attention to longer-term considerations.

G. The Planning Process

69. The Government's concerted efforts of the last few years to reach an acceptable balance of public sector resources and outlays have necessitated a reduction in the size and scope of development expenditures originally envisaged in the Fifth Five-Year Plan. Moreover, the unexpected developments of the past two years, ranging from the massive increase in petroleum prices to the burden of expenditures on defense and refugee support, have made it difficult to make firm, comprehensive plans for the allocation of public expenditure for more than a short period ahead. Over the last 12 months, however, several factors, notably the conclusion of the EFF arrangement with the IMF, have contributed to provide an opportunity for a resumption of serious planning of development expenditures.

70. GOP has reacted positively to this opportunity. A revised three-year development program is being drawn up to coordinate the development efforts of the federal and provincial governments and all public sector enterprises over the period from FY82 to FY84 and to ensure that the planned public expenditure will be consistent with expected available resources. A careful screening of new projects to be commenced during the next three years is being made in order to bring about a shift in emphasis towards high-yielding, short-gestation projects. Particularly high priority will be given to investments in the agricultural, irrigation and energy sectors; increased resources are also to be devoted to the social sectors, including funds to commence implementation of the new Population Plan described in Part III below.

71. The Annual Development Plan for FY82, which will be approved by the Cabinet in June 1981, will provide formal authority for expenditures on new projects to be commenced in the initial year of the three-year program as well as FY82 expenditures on ongoing commitments. The list of projects to be submitted to donors for possible financing will be confined to projects

included in the approved program. External support for the commencement of projects outside this framework would undermine the structure and relevance of the revived planning process.

72. The preparation of a medium-term expenditure plan is a demanding task in the best of circumstances and GOP officials have faced serious constraints both of time and staffing in preparing the revised investment program. The uncertainties which have prevented the implementation of medium-term plans in the past have been accompanied by a reduction in the capability of the planning system itself. The present program represents a welcome step to reconstruct an effective planning process. The estimates of outlays for future years on both ongoing and new projects have been prepared at extremely short notice and will, inevitably, require further review. Serious attention should therefore be given to following up and consolidating this renewed planning effort.

73. The preliminary assessment of economic prospects during this decade presented at the beginning of Part II underlines the uncertainties facing Pakistan. Despite these uncertainties, it remains appropriate for GOP to define strategies and objectives for each sector of the economy over the period following the end of the present Five-Year Plan in FY83, set within a realistic macro-economic framework. Such a perspective plan would contain the sequence of projects which GOP would seek to implement in order to achieve key objectives in each sector. However, the exact pace of implementation and, in particular, the scope for commencement of new projects will depend on the actual availability of resources. Under the circumstances which are likely to apply, it will not be possible to forecast the availability of resources with any precision for more than two to three years in advance. Accordingly, a longer-term perspective plan beyond 1983 should be backed by an operational, shorter-term and more detailed expenditure program which would provide an effective linkage between the process of planning and the mechanism for the formal approval of project funding through the budget process.

74. For the coming year, FY82, this linkage will be provided in an effective manner by the Three-Year Development Program for FY82 to FY84, and it would appear to be desirable to maintain this procedure for the future. The preparation during FY82 of an updated and revised three-year development program for FY83 to FY85 would provide an opportunity to reappraise the expenditure needs for ongoing projects in the light of changing costs and the rate of actual implementation. At the same time, the updating and extension of the detailed investment program to include FY85 would make it possible to incorporate a limited number of desirable new projects. A "rolling-over" of the FY82-84 program to cover the three-year period from FY83 to FY85 would stretch the time horizon for detailed expenditure programming to the limits of reasonable assurance regarding available resources. The end of FY85 is already well beyond the end of the special balance of payments support arrangements which have been recently put into place. An indication of the likely trends in external support would facilitate the continuation of the present Three-Year Development Program exercise as well as the preparation of a longer-term perspective plan to extend through the mid-1980s.

PART THREE: THE NEW POPULATION PLAN AND THE SOCIAL SECTORS

A. Population

The Demographic Situation

1. The population of Pakistan was estimated at 81.5 million in mid-1980, a five-fold increase since the beginning of this century, making Pakistan the ninth most populous country in the world (Table III.1). Moreover, the annual average population growth rate (APGR) has accelerated from 1.7% in the first half of the century to 3% as a result of dramatic improvements in the death rate unaccompanied by any significant decline in fertility. The size of the population is now doubling approximately every 23 years. This explosive rate of increase is clearly unsustainable both from an economic and a social point of view.

Table III.1: POPULATION TRENDS, 1901-1980

	Population Census	Estimates (mid-year)	Average Annual Population Growth Rate
	(thousands)		(%)
1901	16,576 /a	-	-
1911	19,382	-	0.7
1921	21,109	-	0.9
1931	23,542	-	1.1
1941	28,282	-	1.8
1951	33,740 /a	-	1.7
1961	46,200 /b	-	2.4
1972	65,309	64,298	3.0
1973		66,227	3.0
1974		68,214	3.0
1975		70,260	3.0
1976		72,368	3.0
1977		74,539	3.0
1978		76,775	3.0
1979		79,078	3.0
1980		81,500	3.0

/a Excluding population of frontier regions.
/b Corrected for undernumeration.

Sources: Planning and Development Division and Population Division, August 1980.

2. Trends in vital ratios during this century are presented in Table III.2. Current estimates indicate a crude birth rate (CBR) of 41 per 1,000 population and a crude death rate (CDR) of 12 per 1,000. Although there is evidence of a slight decline in fertility from an average of 7.1 children per woman in 1960-70 to 6.3 in 1970-75, several factors interact to maintain a high CBR and, consequently, a fast rate of population growth. These factors include a young age structure resulting in a growing number of women of reproductive age; a low mean age of marriage of about 17 years and a concomitant long exposure to childbearing; and almost universal marriage (about 90% before age 21). The other determinant of population growth--the rate of mortality--still has considerable scope for declining further, given the high infant mortality (probably above 100 per 1,000 live births) and the prevalence of infectious diseases that can be controlled with better sanitation and other preventive measures. This situation emphasizes the critical importance of stepping up programs which will encourage lower fertility.

Table III.2: AVERAGE ANNUAL VITAL RATES, 1901-1980

	Births per 1,000	Deaths per 1,000	Natural Growth rate (%)
British India /a			
1901-1910	49.2	42.6	0.66
1911-1920	48.1	47.2	0.09
1921-1930	46.4	36.3	1.01
1931-1940	45.2	31.2	1.40
Pakistan			
1962-1965 /b	50.0	20.0	3.00
1962-1965 /c	42.0	15.0	2.70
1975 /d	40.5	-	-
1979-1980 /e	41.0	12.0	2.90

/a Kinsley Davis, The Population of India and Pakistan, Princeton, New Jersey, Princeton University Press, 1951, p. 85.

/b The Family Planning Scheme for Pakistan, during Third Five-Year Plan, 1965-70, Ministry of Health, 1965 (based on Population Growth Estimate Chandra Deming Formula 1962-65).

/c M. Naseem Iqbal Farooqui and Ghazi Numtaz Farooq (eds.), Final Report of the Population Growth Estimate Experiment 1962-65, Pakistan Institute of Development Economics, Dacca, 1971.

/d Population Planning Council of Pakistan, World Fertility Survey: Pakistan Fertility Survey, First Report, 1976.

/e Planning and Development Division, Population Division, Plan 1980-83.

3. The trend in the CBR in the last 20 years conceals significant variations in the fertility levels of different population groups in Pakistan according to education, income, female labor force participation and rural-urban residence. High fertility norms are still prevalent among large sections

of the population where less than one fifth of the girls ever attend school. Analysis of available data points to the importance of education as a factor which is likely to be accompanied by major changes in norms and values leading to reductions in fertility. 1/ Women's social esteem derives, to a large extent, from having a large number of children, and there are few opportunities to participate in economically productive activities.

Population Projections

4. On the basis of past population growth trends, present structure, and assumptions concerning future changes in fertility and mortality, population projections have been prepared up to the year 2000 to illustrate the consequences of different rates of population growth upon total size (Table III.3) If the population of Pakistan continues to grow at about the present rate, with only slight declines in the AGPR to 2.7% between 1985 and 1990 and 2.4% towards the end of the century, it would reach 141 million in the year 2000 and would become stationary (zero growth) 120 years later, at a staggering size of 340 million. On the other hand, more substantial fertility decreases in this decade, resulting in an AGPR of 2.3% between 1985 and 1990 and 1.7% in the last few years of the century, could make a considerable difference in the total size of the population in the year 2000 (124 million) and in the ultimate size at which the population would become stationary (204 million in about 2,100).

Table III.3: POPULATION PROJECTIONS, 1980-2000

	1980	1985	1990	1995	2000
Projection I /a	82,200	95,200	107,200	117,000	124,600
Projection II /b	82,200	95,100	109,200	124,500	140,700

/a Projection I assumes fast decline in fertility between 1985 and 2000, from a total fertility rate of 4.8 to 2.5.
/b Projection II is from the World Development Report, 1981. Assumption for fertility decline 1980-2000: from a total fertility rate of 6.079 to 4.402.

5. The stress being built up in the country's social and economic systems by rapid population growth is evident from the projected number of persons who in the next two decades will require basic needs in schooling, health care, water, electricity, housing and jobs. Currently less than one half of the 13 million children aged 5-9 years attend primary school; the objective of the

1/ e.g., Zeba Ayesha Sathar, "Rural-Urban Fertility Differentials, 1975," in The Pakistan Development Review, Vol. XVIII, No. 3 (Autumn 1979).

Government of universal primary education will become increasingly more difficult to achieve as the numbers in this age group grow to 15-17 million 15 years from now. The prospects concerning secondary education are similar. Labor force entrants in 1995 have already been born; their number will therefore not be affected by fertility changes. This group will grow at a rate of 3.8% per year until 1995, compared to 2.5% during the decade 1967 to 1977. Although emigration may decrease the pressure on the local job market, its effect can be expected to be slight. There will consequently be a need for a considerable increase in employment opportunities to prevent serious unemployment problems.

Past Population Program Activities

6. Pakistan was one of the first developing countries to recognize the problem of rapid population growth and to initiate a program intended to lower fertility rates. The program has operated in an environment in which most of the factors generally associated with high fertility rates have coexisted and reinforced one another; i.e., high illiteracy, poverty, isolation and few opportunities for women's personal growth and prestige associated with a large number of sons. In addition to the difficult environment, the program over the past 20 years has been fraught with difficulties and controversy. Most problems have had their roots in frequent, sometimes ill-advised and sudden changes in program thrust and direction. To this was added a low level of commitment to the program by high level authorities and administrative weaknesses inherent to this and other social service programs. Although activities in the past had some well-conceived elements, these good features were not tested for sufficiently long periods under reasonably stable conditions to produce results.

7. Evaluations of past program activities by the Government have concluded that the impact of the program on birth rates has been minimal. The small decline in fertility witnessed in the last 20 years may be attributed only marginally to program effects; other factors such as some increase in the age at marriage and in employment opportunities for women may have been equally influential in lowering fertility. Although the program has increased knowledge about contraceptive methods as evidenced by two surveys (1968 and 1975), there is still a big gap between knowledge and practice; while 75% of respondents reportedly knew at least one contraceptive method and 33% had effective knowledge of several methods, only 6% were practicing contraception by the mid-1970s. The major program shortcomings identified included a dilution of efforts because resources were spread too thinly; weak management; faulty selection of staff; inadequate and unplanned communication efforts; inadequate training and supervision of field staff; and a narrow family planning approach in an environment where behavioral changes must precede acceptance of methods and family planning practice.

8. During the 1960s and early 1970s there was an indiscriminate expansion of the program, with insufficient attention to geographic, cultural and socioeconomic differentials. This led to investment of resources in areas where people were not prepared for or interested in family planning services or advice. Lack of results led to decisions to change the program approach, again in an indiscriminate way. Since program resources were distributed irrespective of likely public response, services were generally of poor quality in areas (particularly cities) where potential demand existed and

could have been further stimulated. Implementation was thus deficient in that it failed to produce coordinated packages containing ingredients tailored to the differing attitudes and needs of various regions of the country and population groups. Additional key factors contributing to low program effectiveness were the narrow scope of the program, limited to provision of contraception through a single channel; few and mostly uncoordinated educational/promotional activities; and little involvement of other government departments and autonomous agencies. 1/

The 1980-83 Population Plan

9. The present Government has recognized that, for the development effort of the country to succeed, it is essential that it is accompanied by changes in demographic behavior. Drawing upon past experience, a new Population Welfare Plan has been formulated under the direction of the Population Advisor to President Zia and was approved by the Cabinet in November 1980. The formulation of the Plan is itself a commendable achievement and a welcome indication of the Government's increased awareness of the seriousness of the population problem. The new Plan is a comprehensive program which is focused on behavioral changes and aims to establish a "small family" norm within an acceptable socio-cultural framework.

10. Underlying the Plan is the premise that the population program should not be confined to single purpose birth control activities. Accordingly, the Plan's approach is multisectoral; it calls for the active participation of other government departments and autonomous agencies, each of which will be made responsible for implementing programs to inform and change attitudes toward procreation among the individuals that constitute their respective audiences or clientele. Under this policy of integration, the Ministry of Health, as well as other health networks--e.g., in the Railways and WAPDA--will be required to provide family planning services and advice to the people they serve. At the same time, 1,000 existing Family Welfare Centers (FWCs) are to be kept in operation under the provincial Population Directorates to provide maternal and child health (MCH) care as well as undertake family planning activities.

11. Another strategy of the Population Plan is to rely on community involvement through local leadership to make the program more responsive to local needs and to enhance its acceptability. The Plan recognizes that the effectiveness of the population program will depend in large measure on improvements in such areas as education and maternal and child health care, and in programs geared to lifting the conditions of women and their participation in productive labor. The Plan therefore aims to promote the support of these activities as part of broader government development policies.

12. The new Plan establishes as a primary goal the creation of conditions favorable to behavior changes, recognizing that individuals and social groups will go through various stages of awareness, interest, assessment, and adoption

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1/ For a fuller account of past programs and developments in the population field, see World Bank Report No. 2018-PAK, "Pakistan: Population Planning and Social Services," April 1978.

of contraceptive practice. It avoids earlier over-optimistic objectives of fertility decline. The demographic impact estimated in the Plan is derived from the correct assumption that there is an unmet demand for family planning services in certain sectors of the population and that, if services are made available where there is already significant actual demand, this would contribute to lowering the birth rate in the relatively near future.

13. The main specific objectives of the program for 1980-83 are:

(a) to raise the level of effective knowledge from 33% to 55% of the eligible population;

(b) to increase the percentage of new acceptors from an estimated 9% to 19%;

(c) to increase the percentage of continuous users from 6% to 14%;

(d) to decrease the CBR from 41-42 per 1,000 population to 37.5 per 1,000; and

(e) to reduce the annual average growth rate of the population from 2.9% to 2.7%.

14. The Plan tries to build upon existing structures and to continue and improve on past efforts. At the same time, it represents a departure from past efforts in that it recognizes that individual behavior is not easily changed through directives imparted by national agencies but is largely influenced by more immediate association channels such as the extended family, neighbors and the local community.

15. The Plan (presented in its entirety in Annex IV) consists of a "core program" whose implementation will be under the direct responsibility of the Population Division at the federal level and assisted by provincial Directorates and staff in the districts; and several "projects" to be implemented by various federal agencies and provincial departments. The "core" program provides the plan base and defines areas of immediate principal concern. It comprises:

(a) a Family Welfare Component utilizing over 1,000 existing Family Welfare Centers under the Population Division, to provide MCH/FP services, education and community development programs;

(b) a Reproductive Health Services component consisting of equipment, supplies and staff to undertake contraceptive surgery as well as treatment of sterility and other gynecological conditions, in government and non-government hospitals and medical schools;

(c) a Family Welfare Manpower Development component, comprising a wide range of training programs for clinical and nonclinical staff that will participate in the population program; and

(d) an Information, Education and Communication (IEC) component, including mass media, printed material and other motivational programs to complement the above efforts.

16. A specific federal or provincial government or private entity will assume full responsibility for each "project" using its own staff and resources. Any supplementary financing required for population activities would be provided through the Population Division from the Federal Budget; such funds will be tied to population activities and could not be used for any other purpose. The package of "projects" in each province constitutes the respective provincial population program.

17. An example of these multisectoral components is the "Women and Population Development Project," to be administered by the Women's Division of the Planning and Development Division, which is aimed at introducing population and family planning content into adult literacy and income generation activities geared to uplift the status of women. Similarly, the "Infrastructure Institutions and Population Welfare Project" will involve professional associations and employees of the postal service and of other large public sector agencies; their efforts will consist of activities to create awareness of population and family formation issues and to provide information and contraceptive services. The "Population Education Project," underway since the mid-1970s, will be considerably expanded during the Plan period; this program of the Ministry of Education has the objective of exposing primary and secondary school students to population and family life concepts by incorporating these subjects in the school curricula; teachers' seminars and introduction of appropriate material in textbooks are important elements of this project.

18. The implementation of the program has been decentralized and will be chiefly the responsibility of the provincial governments, although (as indicated above) it will continue to be federally funded. The basic organization of the program includes a National Council for Population Welfare headed by the President, with the Population Division as its Secretariat; a Presidential Advisor with the rank of Minister of State; four provincial Population Welfare Planning Councils headed by the Governor/Chief Minister; four provincial Population Directorates within each provincial government; and District Population Committees headed by the Chairman of the District Council. The new structure is to be organized as a professional managerial program and is based on a staff in the Population Directorates of about 8,300 instead of the present sanctioned strength of over 16,000; this reduction in staff is expected to take place during the first half of 1981.

Program Issues

19. Integration of Services. Under the new policy, the Ministry of Health (MOH) as well as other health networks will be required to provide family planning services and advice to the people they serve. In order to achieve effective coordination, the Population Division has reached the following understandings with each of the four provincial Health Departments:

(a) all health outlets will provide contraceptive advice and supplies to the persons reporting to them in need of such services. These supplies will be made available by the Population Directorates;

(b) contraceptive surgery will be primarily undertaken in teaching hospitals which will also supply training for gynecologists in the semi-public and private sectors. The requisite support will be provided by the Population Directorates. The contraceptive surgery units will function as part of OB/GYN departments under the overall administrative control of the hospital management;

(c) the Population Directorate and Health Department of each province will review the location of their FWCs and health units and relocate them as necessary to avoid duplication and to accomplish complementarity;

(d) FWCs will be linked for referral care to MOH facilities or health establishments of other participating agencies;

(e) the Population Division and its Provincial Directorates will assist MOH and other health networks in designing curricula and organizing family planning training for their health staff;

(f) MOH training staff and institutions will assist in training FWC staff for their added MCH functions; and

(g) the training will be imparted in the institutions of health and Population Directorates, and functionaries of either department will be brought together for refresher/training courses to inculcate team spirit.

20. The Government is confronted with the dilemma of finding cost-effective ways of expanding basic health services to improve health and at the same time increasing family planning service availability to reduce fertility. There are serious constraints to the ability of the health system to undertake family planning responsibilities as well as to improve the delivery of health services. In view of the high priority that the Government is giving to the population program in an effort to address the problem of rapid population growth, there is a strong case for operating the FWCs as a separate MCH/FP network under the Population Division. However, quality, additionality, and complementarity of such services will be essential and should be the parameters used to monitor and evaluate performance of the FWCs as a basis for deciding on moderate expansion.

21. Information, Education and Communication (IEC). The population plan emphasizes the need to inform and educate the public on population and family planning issues in order to encourage changes in attitudes toward family formation and acceptance of contraception as a means of planning families. IEC will be central to most of the activities of the population program; it is therefore considered a "core" element of it.

22. The Population Division analyzed the past IEC efforts within the population program and concluded that, although a relatively high degree of public awareness had been generated concerning family planning methods, little behavioral changes were effected, mainly because IEC activities were not audience oriented; they were not designed taking into account the formidable barriers to change represented by traditions and customs; almost no use was made of the communication branch of the Government; district population officers were not trained to handle IEC activities; and there were not systematic efforts to correct these problems. The proposed IEC strategy consists of mobilizing local action groups with active (family planning practicing) person-to-person communicators as members; these groups would be supported in their communication efforts by organized listening (through radio) and viewing (through print and television). Another key aspect of IEC activities is the mobilization of attitudes and opinions favorable to family planning among planners and authorities at various levels. A preliminary identification has been made in the Plan of the different kinds of target audiences that the program would need to address and the media that would be used to reach each of them, with an order of priority.

23. There is a need for studying further the administrative structure and the technical capabilities which would be required, both at the federal and provincial levels, to carry out IEC within the population program. A detailed IEC program, disaggregated by province, will only be feasible when an institutional framework is defined for the IEC component of the program; the organization and kinds of professional staff that it would be possible to bring into the program would, to a large extent, determine the nature of IEC inputs and the pace of implementation. Until such specific, disaggregated IEC programs are developed, IEC activities will need to be designed on a localized basis, in response to the needs of the present services being offered. Inclusion of IEC modules in all training programs for field personnel will need to precede the implementation of projects requiring person-to-person communication.

24. Priorities of the IEC component should include:

(a) development of an institutional framework to program and coordinate population IEC activities, incorporating and organizing, as necessary, the existing IEC staff and departments;

(b) implementation of discrete IEC activities in support of ongoing services and presentation of the program and its objectives to planners and authorities;

(c) development of IEC modules for inclusion in the training programs of field personnel participating in the population program; and

(d) preparation of provincial IEC plans (with localized strategies) to support the overall population program.

25. Training. Training for the population program has been correctly identified in the Plan as a "core" component, since the successful implementation of the program will need to rely heavily on the knowledge and cooperation

of numerous field workers, government officials, and professionals from various sectors. Training will be a federal subject to be administered by two Directorates of the Population Division: one for Clinical Training in Karachi (currently existing) and another for Non-Clinical Training in Islamabad (to be created). A group of "Master Trainers" would be trained initially in the new program approach, teaching methodology, curricula development, and communication techniques. These master trainers would be drawn from the population program personnel and the training staff of the Population Division, as well as from various participating departments and agencies; they would be responsible for developing and introducing appropriate population and family planning modules in the in-service training programs.

26. Clinical training of family planning workers is currently conducted in 12 regional training institutes. These centers have been performing satisfactorily but would need further development in order to meet the needs of the expanded and restructured program. Clinical training of doctors in surgical contraception will continue to be undertaken in national teaching hospitals. At the higher education level, introduction of family planning as a subject in the undergraduate medical and nursing curricula is contemplated.

27. Non-clinical training includes all training programs for program personnel and workers of participating agencies (outside the health sector) to be involved in informing, motivating and orientating various audiences in population and family planning. The strategy for this type of non-clinical training is to make it an integral part of the in-service training programs of the respective participating agencies. The Population Division, through the Non-Clinical Training Directorate, would provide technical support for training master trainers and for developing curricula.

28. Institutional separation of clinical and non-clinical training appears to require further examination. Training needs of workers are not always amenable to such clear-cut separation. Under the new strategy, mid-level health/family planning workers will not only require training or retraining in clinical aspects of their work, but also on motivational and education aspects of the program. Administration of training could become difficult and might result in wasteful duplication under an institutional framework which assigns training responsibilities for the population program to two separate entities.

29. <u>Logistics for Supply and Distribution</u>. The new multisectoral approach of the population program will entail the provision of family planning services by many agencies, including the Population Division's FWC network and the clinics and hospitals of the Ministry of Health. The logistics for supplying contraceptives, medicines and training and IEC materials to participating agencies is a crucial component in the system. The main objective of the logistics component is to ensure an adequate and uninterrupted flow of supplies to all service, training and IEC points.

30. Since the inception of a national population planning program in 1965 a central distribution and supply system has been in existence. The international procurement and supply of contraceptives and other commodities have been the responsibility of donor agencies. Items are received in the Central

Warehouse, Karachi, and then distributed to participating organizations/establishments directly. This system, which has been the object of detailed studies by consultants, has faced many problems and has undergone structural changes from time to time. In 1979, consultants provided by UNFPA reviewed the system; their report was used in developing the proposals incorporated in the new Plan. The proposed reorganized structure will have a Directorate of Stores and Marketing at Karachi and a Directorate of Supplies and Services at Islamabad. The former would be responsible for storage and distribution of commodities received from abroad and the latter for policy and logistic monitoring of supplies.

31. The demand for contraceptives for the period 1980-83 has been calculated on the basis of potential demand and program targets. A more specific assessment of supply needs will be possible only after completion of a proposed user survey, which has high priority. In order to avoid wastage, modest prices are to be charged for contraceptives (Rs 1/pack of three condoms and Rs 1/cycle of oral pills).

32. Social Marketing. In 1980, Population Services International, a non-profit family planning agency specializing in social marketing, prepared a proposal for launching a scheme of commercial distribution of contraceptives in Pakistan; this is now part of the Population Plan. The objective of this project is to establish an organization in the private sector, with a staff of approximately 40-50 members under a government-chaired board, to market donated contraceptives (pills and condoms) through commercial outlets. This approach has been used successfully in other developing countries--most prominently Mexico, Egypt, Sri Lanka and Colombia--to deliver mass quantities of contraceptives at low cost. Besides increasing contraceptive availability, these programs have had an important role in desensitizing the population to emotional obstacles toward family planning and contraceptive use.

33. Assuming that resumption of promotional efforts will not be an obstacle, the main constraint to commercial distribution of contraceptives in Pakistan is the present low level of contraceptive practice, which makes the sale of these products unattractive to retailers. In a recent trade survey undertaken by the Family Planning Association of Pakistan, retailers indicated that the present low availability of contraceptives for commercial sale (only 25% of target commercial outlets presently stock contraceptives) is due to the lack of effective demand and irregular supply. Research studies have indicated that a doubling of demand would be required to justify the commercial distribution project; a new market test would be desirable before launching this component.

34. Evaluation and Research. There are many institutions in Pakistan that are working or have been engaged in the past in population research. These include the Applied Economic Research Center (AERC), University of Karachi, the Pakistan Institute of Development Economics (PIDE), the Social Science Research Center, Punjab University and the Economic Research Center also in Lahore, Punjab. Population research is also carried out in departments of economics, sociology and statistics of various universities. The Population Division has its own research and data collection mechanism. A UNFPA mission in 1979 concluded that most of the research undertaken to date

by various institutions had been of good quality. Given a resurgence of population program activities and support from the program, these institutions could provide a good resource base for future research in the population and family planning fields; the research and evaluation structure in the Population Division should be examined and revised to encourage better coordination among units and more effective operations.

35. The Population Plan includes a proposal for the creation of a Population Development Center to undertake research, policy and data collection and evaluation functions for the program. Several objectives and functions of this center would appear to overlap and duplicate those now assigned to other institutions in the country, particularly concerning implementation of research, training and consultancy services. The establishment and development of such a center would probably require more time than the three-year period available for Plan implementation; actual operation of the center would therefore not start in time to contribute to expansion of research, coordination, improvement of the data base and implementation of evaluation, all of which are essential activities. The strengthening of the Population Division to coordinate these functions as proposed by UNFPA would appear to be preferable.

Plan Implementation

36. Critical actions for initiating each component of the Plan have been tentatively identified in Annex IV, in order to develop an approximate time-frame for plan implementation. A task that will determine, to a large extent, the pace of plan implementation is the completion of administrative arrangements to reduce the population staff from about 16,000 to 8,300 employees (paragraph 18). Although the reorganization process has already started, it may absorb considerable time from the managers of the Population Division and the provincial Directorates for at least the first half of 1981.

37. A review of critical actions that would be required for initiating each program component suggests that during the year 1981 it would only be possible to continue on a modest scale with some partial, ongoing activities, mainly consisting of family planning service delivery and clinical training. It may be also possible for population staff to work on detailed programming and scheduling of components or "projects," to initiate or continue contacts with participating departments in order to reach agreements on specific projects, and to complete the training of "master trainers." The latter appears to be the critical action or prerequisite for starting many of the programs of participating departments.

38. Very modest actual field activity (both in services and motivation) may be expected during 1981. Indication of good progress would be given by the satisfactory completion of:

(a) the re-appointments of qualified population staff from the existing 16,000 employees and recruitment of new staff as necessary;

(b) the special training for about 25 "master trainers;" and

(c) the detailed programming of activities by participating departments, with the assistance of the federal and provincial population staff.

39. The orderly and successful completion of such tasks would represent an important achievement that would help establish credibility to the program, both nationally and among the international community. Technical expertise of appropriate quality to assist in the above tasks could serve as a catalyst in expediting actions in priority areas.

40. During 1982, the 12 regional training institutes of the Population Division could essentially complete the retraining of about 1,000 FWWs and 150 counsellors/supervisors. By early 1983 all FWCs could become fully operational under the new integrated approach. Integration of family planning in other health systems, including the Ministry of Health, will require massive retraining of health service and supervisory personnel, revision of functions, restructuring of clinic work and revised manuals. These preparatory activities may take most of 1982 and 1983. Assuming smooth cooperation among population and health personnel at the provincial and district levels, a modest amount of family planning services could be operating in the health system of the country by the end of the Plan period. Full integration may require longer; its success would depend partly on progress of the Ministry of Health in establishing and operating basic health service complexes.

41. Motivational/promotional population activities planned to take place in various departments and agencies of the Government under the multisectoral components could partially begin during 1981, devoting this period to testing IEC strategies and materials, establishing supervisory and support schemes and training project staff. Expansion of these projects to reach a sizable proportion, say 30 to 50%, of the targeted audiences (e.g., volunteers, farmers, adult education students, agency employees and families) could take place during 1982. There may be some exceptions to this general pattern of progress. Program components that have a reasonably successful past history, including the population education program and the population and development programs of the non-governmental organizations, particularly the Family Planning Association of Pakistan, could reach a wider coverage earlier. The commercial distribution of contraceptives may be expected to cover only limited areas of the country during the Plan years, to allow for essential testing of marketing approaches.

42. The above tentative assessment of Plan feasibility during the next three years represents a conservative view of implementing possibilities but indicates a significant array of activities that, if indeed implemented, would be judged as a considerable accomplishment. There is a broader issue concerning the probability of successful program implementation. It is recognized in the Plan presentation and in the justification for the multisectoral strategy adopted for the population program that the environment in which this Plan will be implemented is a powerful factor which may place severe limitations on the effectiveness of the program components. Given the low levels of education, especially of girls, the low status of women and their low

participation in productive employment, the proposed population program is a necessary but not sufficient condition for effecting behavioral changes leading to fertility reduction. This has been observed in the experience of many other countries. It would accordingly be advisable to initiate a review of policies affecting girls' schooling and women's status and employment opportunities, with a view to adopting measures and programs to ameliorate these constraints, both for the likely impact on attitudes towards fertility and for their effects on the social and economic development of the country.

B. Health

The Health Situation

43. The health status of a nation depends on several factors including education, income, nutrition, a safe environment (i.e., potable water and waste disposal) and access to effective health services. Health is also affected by high fertility; this is reflected in a high incidence of birth related complications, of infectious diseases among infants and children and excessive maternal and child mortality. In turn, health conditions influence fertility by increasing or decreasing the number of women in reproductive ages, the duration of marriage, and the period of lactation (or temporary infertility). Expansion of health service supply (i.e., more facilities and staff) has not been sufficient in the past to improve health status in Pakistan; low quality of services, lack of medicines and supplies, and managerial weaknesses have often led to low utilization of facilities and wastage of scarce resources.

44. Health risks faced by the population of Pakistan have not changed significantly since the Bank's last review of this sector in 1978. 1/ The main health problems are preventable communicable diseases; moderate to severe malnutrition; and frequent pregnancies resulting in a high proportion of high-risk cases and excessive infant and maternal mortality. There are clear differentials in health conditions by rural and urban areas and socio-economic groups.

45. Although there are no reliable data on disease incidence, hospital statistics and data from recent sample epidemiological surveys indicate that about 25-30% of all cases of illness are due to disorders of the gastrointestinal system, of which one-half to one-third are dysenteries and diarrheas, mainly from waterborne causes. Although the incidence of malaria and tuberculosis is not known for the country as a whole, two separate surveys in Punjabi villages showed morbidity rates for malaria of 23.7% and 28.0%. A few preventable childhood diseases and diarrheas are the main causes of morbidity among infants and children.

46. Over 60% of all deaths are due to infective and parasitic diseases, followed by 7% due to non-infectious perinatal causes. Infant deaths represent

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1/ World Bank Report No. 2018-PAK, "Pakistan: Population Planning and Social Services," April 1978.

about 40% of all deaths, a consequence of several conditions unfavorable to child survival. Very high fertility and almost universal illiteracy among mothers have led to poor infant feeding habits and lack of health care, especially of vaccinations against childhood diseases, such as measles, poliomyelitis, pertussis, diptheria and tetanus neonatorum, which are main causes of child morbidity and mortality. Malaria continues to be a serious health problem in Pakistan. The expansion of agriculture through irrigation projects and dams increased the propagation of mosquitoes; currently over 50% of the population live in areas where malaria vectors are prevalent. In the early 1960s the disease was under control, but in 1969 it reappeared due to a slackening of the spraying program and development of resistance to insecticides by mosquitoes. In 1972 and 1975 cases reached epidemic proportions. At that time spraying was intensified, but recently the program has almost come to a halt for lack of funds to acquire insecticides and other administrative problems.

Water Supply and Sanitation

47. Unsanitary conditions and lack of potable water determine, to a large extent, the disease patterns in Pakistan. Only a small proportion of the rural population have access to safe water, and waste disposal is almost non-existent; litter and excreta collect in open fields around living quarters and in streets, and drainage is non-existent or inadequate. Data provided by the Planning and Development Division 1/ show the present situation and indicate the Plan targets:

	% of population with access 1978		Proposed coverage for 1983	
	urban	rural	urban	rural
potable water	61.1	14.0	81.5	35.8
sanitation facility	34.8	nil	50.9	3.5

48. The Plan targets are limited by available resources. Availability of finance, however, is only one constraint. Other limitations to expansion of these services are the implementing capacity of the government departments concerned, availability of adequate materials, and the requirement for an equally extensive and technically more demanding expansion of sewerage, drainage and sanitation. While the coverage of these basic services needs to be urgently extended, it is widely acknowledged that availability of potable water and sanitation does not ensure that those services will be properly utilized by the population in the absence of educational efforts to convey knowledge about the link between lack of sanitation and disease.

49. UNICEF's program in Pakistan for 1982-86 includes innovative components in rural water supply and sanitation, based on strategies developed at

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1/ Planning Commission, the Fifth Five-Year Plan 1978-83, Physical Planning and Housing, July 1978.

the provincial level. This program would assist the Government in achieving the goals of increasing coverage of rural water supply from 12.8% to 30% in Punjab; from 30 to 46% in NWFP; and to 640 villages of Baluchistan. Rural sanitation coverage is to be increased from 3% to 20% in Punjab; from zero to 15% in NWFP; and to the same 640 villages in Baluchistan. In the latter, the Provincial Government and UNICEF decided that the lack of potable water and the hygienic environment were problems of such proportion that the 1980-86 UNICEF program would focus on integrated area development based on supply of water, sanitation and supporting social services. The total regular annual commitment of this agency in Pakistan is approximately US$8 million plus US$6 million from special funds, of which about 20% is for water and sanitation projects.

Nutrition

50. A national nutrition status survey in Pakistan completed early in 1977 showed more than 79% of those assessed to be below 90% of the Harvard weight-for-age standards, which is an indicator of short-term nutritional status. When related to height, a measure reflecting long-term effects of malnutrition, prevalence was 41%. Urban and rural areas differed little in magnitude of malnutrition, but significant variation occurred among regions. Some urban slums and the more remote, nomadic rural areas of Sind and Baluchistan, for example, presented percentages of malnutrition well above the average. In certain areas, iodine, vitamin A and iron deficiencies also occurred in large numbers. Prevalence of goitre, from lack of iodine, exceeded 70% in mountainous areas of NWFP and Azad Kashmir. In Sind, inadequate vitamin intake affected 50% more people than the national average, an already serious 48.5%. Landless laborers were described as a "particularly anemia-prone group," with hemoglobin readings more than eight points lower, a substantial difference with other occupations.

51. The seriousness of Pakistan's nutrition problems is masked by food balance sheets that show average per-capita daily availability of protein to be well above requirements (63 grams to 42 grams for 1977-78), while per-capita availability of calories equals requirements (2,381 to 2,354). These averages conceal the existence of substantial pockets of serious malnutrition. Income disparities, nutritionally inefficient food practices and high prevalence of disease and infection also contribute to making the averages an inadequate reflection of nutrition status.

52. The difficulties of making adequate food supplies available to the malnourished present formidable challenges. Bank estimates indicate that 700,000 tons of foodgrains could solve the nutritional problems in Pakistan if they could be directed towards the underprivileged groups. While this is a useful guide for assessing food production requirements as a necessary condition to solving Pakistan's nutrition problems, it is only one of several factors essential for a solution to the problems.

53. The Government has exhibited sensitivity to nutrition problems since the 1960s and has proposed a variety of remedies including food fortification, mass media nutrition education, new weaning foods and village level food processing. Political instability, resource constraints and lack of coordination, however, have caused implementation to be fragmentary and sporadic.

The Health System

54. The history of the development of health services in Pakistan was described in detail in a previous review of the health sector by the Bank. 1/ Western medicine introduced under British rule did not replace the existing indigenous, still popular system of hakims and vedic practitioners. The 1960-65 Second Five-Year Plan for the first time accorded priority to the provision of essential preventive and curative services for rural areas. Since that time, the Government has applied efforts and resources to the construction of a network of health facilities comprising rural health centers and hospitals and the training of health personnel. The number of rural health centers has increased to about 290; there are, in addition, 5,850 basic health units, dispensaries and MCH centers.

55. The per-capita expenditure for health by the public sector increased from Rs 3.52 (or less than one half of 1% of GNP) in 1970-71, to Rs 16.18 (or 1% of GNP) in 1977-78. There was a rapid expansion of medical schools from 6 to 15, and the enrolment capacity grew from 900 to 4,000. Although there is a sizable emigration of doctors, the number remaining still represents a disproportionate growth for this category relative to the demand, given existing financial constraints for expansion of public health services. Development of training of paramedical and auxiliary personnel did not keep pace with the growth of medical manpower. The number of nurses increased from 5,400 to 9,700 and Lady Health Visitors (LHVs) from 1,900 to 3,250.

56. Although the total physical health network of facilities and personnel is substantial, actual services are inadequate because of numerous constraints. The services have administrative weaknesses as well as low compensation for health workers and small budgets for recurring expenditures, resulting in a high proportion of vacancies and chronic shortages of medicines and materials. Both doctors and nurses have usually been reluctant to work in rural areas (currently more than two thirds of rural doctor posts are vacant). To address this problem, various cadres of paramedical or auxiliary personnel have been created in an attempt to meet the needs of the rural health services and of vertical programs (e.g., lady health visitors, sanitary inspectors, family welfare workers and, recently, medical technicians) but progress has been slow. The coverage of the government health services continues to be low. A recent evaluation indicates that the health services are not reaching the population with the highest mortality and morbidity; while 50% of the population live within two miles of public health establishments, only 17% actually use those services.

1/ See footnote, page 82.

57. There are several major vertical programs which operate independently in the health sector. They include malaria control, expanded polyimmunization, tuberculosis control, environmental sanitation, social security, and municipal health organizations. Integration of these programs would face serious difficulties because of the weaknesses of the general public health system and administrative and technical complications, including different career structures and substantial changes in staff functions which would require massive retraining and reassignments.

58. The private health sector, with 8,000 hospital beds and about 4,400 doctors, serves mostly the large urban areas. Eastern medical healers, including unani, ayurvedic, and homeopathic practitioners, estimated at 47,400, mostly serve rural areas; these healers have shifted somewhat towards the use of modern medicine but still rely mainly on their own prescriptions. People pay willingly for private and traditional services (on average around Rs 50 per patient per year) because they find them more responsive to their cultural beliefs and traditions and, in many instances, because available public health services are of limited quality. This could be an indication that communities might be prepared to share the cost of health services with the Government if the quality and responsiveness of public services could be improved. The Government's health plan expresses the desirability of exploring the possibility of interested traditional practitioners joining the general health services, provided that they undergo adequate training and accept supervision.

Strategy for Health

59. A strategy to provide basic health services is being pursued by the Government, consisting of reliance on paramedical personnel and on a new cadre of community health workers (medical technicians). This program tries to provide a link between the village community and the modern health structure through the community health workers and is based on the "health team" concept. The outline structure is as follows:

Level	Population	Health Facilities
Health	1,000	2 community health workers
Basic Health Units (BHUs)	10,000	4-6 health auxiliaries for preventive work and outpatients
Rural Health Centers (RHCs)	40,000 to 100,000	2 doctors, 8 auxiliaries and 10-20 beds
Tehsil Hospitals	380,000	Surgical, medical and laboratory, X-ray facilities
District Hospitals	1,600,000	As for tehsil hospitals plus some specialization
Teaching Hospitals and other Institutions	Provincewise basis	All modern facilities

Source: The Fifth Five-Year Plan 1978-83.

60. The Fifth Five-Year Plan acknowledges that the implementation of this program will be a long-term undertaking. Approximately 16 new training schools have been established for this purpose and about 270 male and 180 female medical technicians have been or are currently under training; these schools are also training over 600 lady health visitors. Only a handful of the present cadre of 50,000 community health workers have been trained, and only about 6 BHS complexes (i.e., a network covering some 40 villages with a focal point in the rural health center) may start operating in 1981, compared to a projected figure of 36 complexes planned four years ago.

61. Some of the reasons for the lack of progress in improving the health system in Pakistan include a low official commitment to the health sector; reluctance of the medical profession to accept paramedical personnel and community health workers in the role of health service providers; significant budget cuts in recent years which seriously affected health as well as other social sectors; and serious absorptive capacity limitations of the public health system because of outdated and inefficient administrative structures and management practices. These constraints are not amenable to short-term solutions by the Federal Government. At the same time, health is a provincial subject; the role of the provinces in implementing the new health strategy will be of critical importance in initiating much needed reform and improvements.

62. The problems of the inadequate administrative structure and dysfunctional managerial practices in the health services are particularly serious because they affect all programs and severely limit the capacity of the health system to absorb financial resources. This is evidenced by the fact that the provinces have often been unable to spend budgeted funds for health. Nonetheless, the cost of providing health services remains a fundamental long-term obstacle to improving health standards.

63. The traditional sources of financing health services in developing countries have been tax revenues and charitable sources, and Pakistan is no exception. These sources may prove highly insufficient in planning any large scale expansion of services. In addition, there will continue to be serious limitations on the financing of recurrent health expenditures. Alternative sources of health care financing, including insurance schemes, require more analysis. In addition, in the continued effort to improve and expand availability of health services, health planners will need to explore the possibility of enlisting the cooperation of the private sector and to examine ways of involving the local leadership in eliciting financial support from the community.

C. Education

64. Education policies in Pakistan are clearly articulated and in general are relevant to the needs of the economy. However, the system is deficient in several major respects and, with the rapid growth in population, is facing increasing difficulty in maintaining programs even at their present inadequate levels.

65. Over the past 25 years, several themes have run through the successive five-year development plans: (a) universal primary education as soon as possible; (b) the development of technical and vocational training to meet requirements for middle level skilled manpower; (c) improving the relevance of curricula in secondary and higher education to employment needs through greater emphasis on science, math and technology; and (d) a more balanced development of the education system at all levels by reducing the dominance of higher education in resource allocation. These themes remain the broad objectives of the Fifth Five-Year Plan (1978-83) and the National Education Policy statement produced in 1979 but with some shifts in priorities, notably towards primary education; about 31% of available educational finances have been earmarked for this purpose during the Plan period and are being protected by preventing their transfer to other subsectors of education. At the secondary and higher levels, emphasis is being placed on consolidation and qualitative improvement rather than expansion, while in vocational and technical education efforts are being made to achieve greater relevance and increase participation of the private sector.

66. Measured by some yardsticks, Pakistan has achieved significant progress in its efforts to develop the education system. For example, the rate of annual increase in enrollment at the primary level (6.1%) exceeded the average increase (4.8%) achieved by the low income countries during 1960-75. Qualified teachers comprise over 90% of the teacher population, while trained female teachers are in surplus in some provinces. The allocation of resources to higher education has fallen in successive plans and slowed down the rate of increase in enrollment in higher education to about 5.5% during 1965-79. In 1978/79, however, gross enrollment ratios were only 56% in primary schools and 20% at the secondary level. Moreover, expansion of the education system in Pakistan has been accompanied by severe problems which have undermined the quality of education being provided and have led to little improvement in the level of literacy.

Table III.4: INDICES OF NUMBERS OF ENROLLMENTS, SCHOOLS AND TEACHERS, 1974/75-1978/79

(1970/71 = 100)

	Enrollments		School		Teachers	
	1974/75	1978/79	1974/75	1978/79	1974/75	1978/79
Primary Education						
Male	121	166	114	120	120	130
Female	138	166	129	137	155	173
Total	126	166	118	125	130	143
Secondary Education						
Male	127	138	126	138	127	151
Female	159	222	140	151	148	178
Total	134	155	130	141	133	158
Higher Education						
Male	104	121	116	151	120	159
Female	122	159	112	148	110	145
Total	108	129	115	150	118	155

Source: Ministry of Education.

67. Primary education in Pakistan is characterized by low levels of internal efficiency in the form of high dropout and repeater rates. About 50% of students fail to complete the five-year cycle and the high repeater rate has led to congestion of the system with overage students. Internal and external factors have led to this unsatisfactory situation. Within the primary school system the quality of physical facilities is poor; many buildings need repairs and schools often lack buildings of their own and have to rely on rented or donated buildings, especially in rural areas. In addition, there is widespread lack of furniture, teaching materials and textbooks. The quality of teachers is low because the profession is poorly paid, lacks social status, and provides little opportunity for advancement. Moreover, the rural teacher exists in an environment which has few social amenities, such as adequate housing, and the situation is particularly severe for female teachers. Inadequate supervision by poorly trained and over-extended supervisors is not conducive to improved teacher performance and contributes to the high levels of absenteeism and lack of motivation among teachers.

68. External factors also exacerbate the strong tendency to drop out or repeat. The high opportunity cost of child labor discourages school attendance by children of poor families, while the low level of health and nutrition among children has a generally debilitating effect on school performance. In addition, socio-cultural inhibitions which downgrade the value of education for girls reduce their initial enrollment and discourage retention in later years.

69. Marked disparities in access to educational opportunities exist in Pakistan by region and sex. In 1977-78 the gross enrollment ratio for the primary age group varied from 60% in Sind to 38% in Baluchistan. At the secondary level (middle plus high schools) the range was from 22% in the Punjab to 8% in Baluchistan. Similar disparities exist in the enrollment of females. For Pakistan overall, the enrollment of female (including over age) children is only about 31% at the primary level compared with 80% for boys in the same age group. Regionally, the gross enrollment ratio for females in primary schools varied from 34% in the Punjab to 12% in Baluchistan. The causes of these inequities are not hard to find. In Baluchistan especially, but also in the NWFP where the population is largely rural and poor, all the factors which contribute to low levels of efficiency in the schools and inequities in educational access are exacerbated. In higher education, females comprised only 28% of total enrollments in 1978-79; this represented only a modest improvement over the situation a decade earlier when the proportion was 23%. Female enrollment is especially low in the professional colleges, being only 18% of the total in 1978-79.

70. The relatively low rate of primary school enrollment, the high dropout rates and the inequities in access to primary education have contributed significantly to the low level of literacy in Pakistan. In addition, the effort to reach adults and out-of-school youths with special literacy programs has been largely unsuccessful despite the priority given to raising literacy in national development plans. Literacy programs have involved numerous government and donor agencies but an authority to plan and coordinate the various activities has been lacking. Without proper direction and adequate financing, literacy training has generally suffered from a shortage of appropriate teaching materials and adequately trained staff. Furthermore, there has been insufficient attention given to ensuring that school leavers and adults who have achieved literacy are able to retain it. The result is an adult literacy rate of only 24% in Pakistan--36% for males and 11% for females. The extremely low female rate reflects the tradition of discouraging education for girls with the implication that almost total illiteracy is the norm for rural women.

71. About three fourths of students proceed from primary to secondary level, and about half from secondary to higher studies. Imbalance in the distribution of higher education--for example, humanities account for about 50% of the enrollment at degree colleges compared to about 25% in science--has produced critical shortages in technical professions. An attempt is being made to correct the academic bias in the general secondary curriculum through the introduction of courses in agriculture, industrial arts, business education and home economics; this effort is being hampered by lack of qualified teachers and inadequate facilities and equipment, but nonetheless such courses have been extended to over 3,000 secondary schools with over 250,000 students. In 1978-79 there were over 1.9 million students enrolled in general secondary schools compared with 34,000 in secondary vocational schools (including 5,000 in teacher training courses). In higher education total enrollments were 329,000 in the same year, of which only about 29% were enrolled in professional colleges and universities.

72. Outside the formal education streams, a modest system of vocational training centers and a relatively small-scale apprenticeship program turn out

about 10,000 skilled workers per year. This output is well short of demand for skilled technical manpower which is buoyant at present due to demand for skilled workers in the Middle East. Pakistan is experiencing an increasingly common problem--the existence of shortages of skilled manpower, particularly at the middle level, side-by-side with significant unemployment of people with a general education of at least matriculation level.

73. Several steps have been taken to increase the supply of skilled manpower. A national training-management system has been set up under the control of a National Training Board working in conjunction with Provincial Training Boards. The Boards are representative of the respective governments, industry and labor and are charged with establishing strong linkages between training and employment, reorganizing and expanding the training system and improving its quality. Expansion of the vocational training system calls for: (a) a "crash program" utilizing second shifts in existing institutions to produce 5,000 semi-skilled workers per year; (ii) establishment of 7 new training centers for the Overseas Workers' Foundation to train another 10,000 semi-skilled workers per year; (iii) expansion of skilled worker training through the establishment of 8 new training centers and qualitative improvement through re-equipping 28 existing centers; (iv) expansion of in-plant training through financial incentives to employers; and (v) expansion of rural artisan training and training for women.

74. In a country such as Pakistan where nearly 75% of the population is rural and agriculture employs nearly 60% of the workforce, agricultural and rural training is clearly a matter of priority. The universities are able to meet the demand for professional agriculturalists in quantitative terms but there is a clear consensus among employers of graduates that their training is deficient in practical skills and is not adequately geared to the problems of agricultural research, extension, production and processing. Furthermore, the distribution of professional agricultural manpower is determined largely by individuals who show marked preferences for working in their home provinces. Thus Baluchistan, which lacks an agricultural faculty or university, is suffering from shortages of all types of agricultural manpower. For similar reasons there is a shortage of veterinarians in the NWFP. Scholarships are available for students from the disadvantaged provinces to study in other provinces, but they are limited in number and do not provide adequate financial support. Consequently, the scholarship program is underutilized.

75. Field extension assistants, who are the key agents of agricultural development, are trained in agricultural training institutes (ATIs). This system is being expanded under an ongoing IDA project and when completed the capacity of the ATI system will be adequate to meet manpower requirements under current policies. However, the ATIs are facing serious problems which greatly reduce the quality of training. The major problems are: (a) ATI instructors are extension workers on transfer who receive no special teacher training; they view teaching only as a temporary assignment and seldom are they motivated to take teaching seriously; (b) the situation is further exacerbated by the loss of field allowances on transfer from extension to teaching posts and inadequate provision of housing; (c) ATIs generally lack adequate farmland and other inputs (irrigation water, fertilizer, insecticide) to allow proper demonstrations of improved farming practices; (d) students

are evaluated only on theoretical knowledge gained and not on the acquisition of practical skills; and (e) the controlling authority for the ATIs is the provincial Directorate of Extension which often does not have the technical expertise to handle such training programs. All these factors add up to low quality teaching and inadequate practical training for students, thus reducing the effectiveness of graduates as extension workers.

76. The priority being given to rural development in national planning is not reflected in the opportunities for training non-farming rural groups in the skills necessary for servicing local communities and for providing other income-generating activities. The limited opportunities include carpet and handicraft training and rural artisan training. The lack of skilled workers in rural areas has been exacerbated in recent years by migration to the Middle East, while at the same time local demand for skills is increasing as rural electrification, mechanization of farming and irrigation are expanded. The Government of the Punjab has responded by establishing 16 rural artisan training centers in the last two years to teach rural oriented skills--mechanics, carpentry, masonry, electricity, welding, etc. The centers also act as village repair workshops. The scheme has been highly successful with graduates finding little difficulty in securing productive employment. Consequently, the demand for trainee places is high. Despite this success, the scheme is far too limited (540 graduates in 1979) to make a real impact on the need for rural skills training.

77. The problems facing the education system in Pakistan derive from a wide array of administrative and management difficulties, as well as from shortages of financial resources. The main issues requiring attention are discussed in the following paragraphs.

Education Finance

78. The allocation of resources to education in Pakistan is low by international standards--only 2% of GNP in 1978-79. This is reflected inevitably in the quality of educational inputs--poor physical infrastructure, widespread lack of teaching equipment and materials and low teacher salaries, which help to perpetuate poor quality teaching. Salaries of primary school teachers vary between 1-5 times that of per-capita income. Expenditure on management, due to the small number of managerial personnel thinly spread out across the country, is less than 2.5% of the total educational outlay. 1/ Within the education budget, the allocation of resources has favored higher education at the expense of primary education, which has been consistently underfunded. In 1973-78, primary education received an average of 16% of development expenditures compared with about 35% for higher education. The Fifth Plan calls for an allocation of 31% of development outlays on primary

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1/ Many Asian countries pay their primary school teachers as much as 6-8 times the per-capita income. The fact that Pakistan has been able to run such a massive educational system, despite low allocation of resources and a small proportion and quality of managerial personnel, perhaps bears testimony to the basic strength of its educational infrastructure.

education compared with about 20% on higher education. To date the provincial governments have met the target for planned outlays of recurrent funds for primary schools; however, this has been due principally to ad hoc cost of living allowances, rather than to the expansion of primary education according to the planned program. Federal government allocations have been only 40% of the target. In terms of total resources, primary education has received 82% of planned outlays in 1978-81 and the allocation for all levels of education is 79% of the target in the same period. Actual outlays are therefore falling behind targets and this is particularly so for federal development funds to finance primary education (Table III.5).

Table III.5: ESTIMATED FINANCIAL REQUIREMENTS FOR EDUCATION AND ACTUAL ALLOCATIONS, 1977/78-1980/81

(million rupees)

	Education Subsector				
	Primary	Secondary	Post-Secondary	Other	Total
Development Expenditure					
Estimated requirement	1,418	1,213	1,391	734	4,756
Actual allocation	567	456	948	923	2,894
Percent allocated	40	38	68	126	61
Non-Development Expenditure					
Estimated requirement	3,724	2,513	2,736	775	9,748
Actual allocation	3,665	2,212	2,185	482	8,544
Percent allocated	98	88	80	62	88
Total Expenditure					
Estimated requirement	5,142	3,726	4,127	1,509	14,504
Actual allocation	4,232	2,668	3,133	1,405	11,438
Percent allocated	82	72	76	93	79

Source: Planning and Development Division.

79. Although education accounts for a relatively modest proportion of GNP in Pakistan, it is by no means certain that resources can be significantly increased. It is certainly unlikely that the Plan target of raising education expenditures to 3.1% of GNP by FY83 will be achieved. Nonetheless, the revised FY82-84 development program now being prepared by GOP should provide for higher allocations for education. Efforts should focus on those qualitative improvements which can be achieved with relatively small financial outlays. These include the supply of books, equipment and other teaching materials, improved teacher supervision, and repair and maintenance of buildings.

80. The shortfalls in and uncertainty about the availability of resources have not been conducive to sound education planning. Abrupt changes in allocated resources have frequently interrupted planned programs during implementation. This has been exacerbated by the fact that estimates of resource requirements, based on inadequate techniques, are often below needs. Many projects carry little provision for cost escalation and become outdated by the time they are approved. Moreover, available resources are thinly spread out over a large number of projects, so that implementation is stretched over a long period of time. About half of the programs in the Fifth Five-Year Plan (1978-83) are "spillovers" from past plans.

Organization and Administration

81. Responsibility for education is divided between the Federal and Provincial Governments. The Federal Ministry of Education sets overall policy, plans curricula, sets standards and controls the development budget while the provinces implement programs, manage personnel, exercise quality control and are responsible for recurrent expenditures. The provincialization of education in 1972 aimed at decentralizing a large part of decision-making to Provincial Governments and below them to district education councils. The explicit purpose was to widen the circle of decision-makers and transfer greater authority to successive levels of educational administration. It was also to be a means of utilizing the low resources allocated to education with maximum effectiveness.

82. The process, however, has been implemented on an _ad hoc_ basis without sufficient analysis of the types of planning and administrative functions that could be regionalized to successive levels of educational administration. Nor has there been an assessment of the capabilities of various institutions to take over regionalized responsibilities without loss of efficiency and quality. Progress in the transfer of authority has been uneven. In some cases, the transfer of functions was not followed by the transfer of administrative and financial authority. In others, financial authority had speedier transfer, up to subdivisional and tehsil levels, than administrative authority. As a consequence, policies set at the center are not always implemented at lower levels due to differences of opinion and/or lack of resources. Expanding education for girls, for example, is a priority of the Federal Government which does not appear to have received adequate support at the provincial level. The implementation of new curricula, developed at the center, has been slow because the concomitant requirements for new textbooks and special training for teachers have not been matched by adequate recurrent funds. There is a critical need to widen the effective circle of decision-makers.

83. While bottlenecks to smooth implementation of policies remain at the federal/provincial level, the Provincial Governments are delegating greater responsibility to district councils with some success, although many teachers are opposed to this policy. Each of the four provinces have delegated, in various degrees, the management and quality control of primary education to these councils. Delegated responsibility includes selection of sites and contractors, supervision, and elicitation of local support. Measures are under way to transfer some routine administrative responsibilities to the councils--promotion of teachers, salary increases and leave arrangements--to

improve the accountability of teachers to the elected bodies. The Ministry of Local Government also plans to delegate the management of adult literacy training and other forms of basic education to the councils. The councils are becoming a forum for intersectoral coordination of educational policies and strategies.

84. These developments, designed to strengthen local participation in educational decision-making, have led to some improvements. For example, increasing numbers of children are enrolling and staying longer in school, and teacher absenteeism has declined. However, a fundamental concern is whether the newly-elected district councils are competent to assume all these tasks immediately. Training of local officials will be required to ensure that programs are administered effectively.

85. In the field of quality control, serious problems exist. Public examinations encourage learning by rote and cramming by students whose aim is to obtain high marks rather than to develop intellect through learning. There is a wide variance in the standards of examinations administered by the 15 decentralized boards at the end of grades 10 and 12. Coordination, carried out by a council composed of a chairman from each of the examining boards, is confined more to the exchanging of experiences than to formulating policies jointly. Thus the examination system is widely viewed as not providing a valid measure of individual ability and achievement or a predictor of future performance. Attempts to improve the reliability of external evaluation, and to complement it through internal assessments, have so far met with limited success.

86. The other major instrument of quality control--supervision--is also largely ineffective. Supervisors for the most part are untrained to exercise academic supervision and because they have temporary (four years) assignments, they are not motivated to learn special skills. The emphasis is therefore on administrative supervision which deals with procedural issues and is viewed by teachers as a system of control rather than direction. In addition, supervisors are greatly overburdened by additional administrative tasks, are responsible for too many schools and lack adequate transport and travel allowances. In earlier years, a primary school inspector was expected to visit 50 schools twice a year. Today he may travel 15 days a month, and may supervise 500-600 teachers distributed between 130-150 schools.

87. Remarkably little is known about the performance of the educational system. Performance monitoring and evaluation of available data are weak. Information on the quality and efficiency of the educational services--for example, on flow of the cohort, on input/output ratios, on wastage and repeater rates--though of paramount importance in planning and policy formulation, has received little attention.

Government Response

88. The complex problems and shortcomings evident in the education system in Pakistan today represent a substantial challenge to the authorities. Even in the best of circumstances, and with adequate resources, they would take many years of determined effort to resolve. To enable it to focus more

intensively on priority tasks, the Ministry of Education has recently consolidated its functions into five wings dealing with administration, institutions, planning, research, and curriculum. Complementing this will be an internal assessment of current functions, preparation of job descriptions, and reassignment of staff to jobs matching their training. A small unit in NWFP is researching, with UNDP assistance, programs for management by objectives, organizational methods, efficient operational procedures, management information systems, and staff training. This is a forerunner of similar efforts in the other provinces. Research and development units have started functioning in each of the examining boards. A pilot scheme to improve supervision and other measures to strengthen the primary school system have been initiated.

89. Complementing these efforts should be other measures in several directions. First, there should be a serious quest for more and alternative resources. Education has survived too long with low resources and further deprivation could bring irreversible distortions, both in the quality and outcome, at all levels of education. Supplementing this quest should be measures to improve the cost-effectiveness of allocated resources. The willingness of the Federal Government to meet the needs of the provinces for primary education should be matched by equal concerns for teacher training, science education, and professional training. Non-monetary resources of the local community--in the form of mosques, educators and cooperative societies--should be tapped further to reduce monetary input of the public sector for providing similar services. Increased financial aid from external sources should also be sought and protected for the purpose for which it has been obtained.

90. Secondly, in-service training programs in educational planning and management should be accelerated. Planning officials, especially at the district and divisional levels, require skills to identify issues of local relevance and to translate policies into manageable programs. Supervisors should focus on problem solving and the provision of back-up support. Examination management should move away from a preoccupation with prevention of malpractices towards developing a system that advances pupils' ability of logical thinking and clarity of perception. A cadre of educational administrators should be trained which is equipped to use modern principles and techniques of management, and with specialized competence for all critical managerial tasks--supervision, examination management, planning, information, processing, curriculum development, and school and college administration.

91. Thirdly, the primacy of national and provincial education councils and their secretariats in educational matters should be assured. Consistency should replace a tendency to react to each and every issue in an _ad hoc_ manner and without in-depth analysis of the underlying problems. Local-level administrators need to be assured that a sudden shift in policies, and consequently in resources, will not occur.

92. Finally, a continuous analysis of factors that impede the implementation of policies is required. The basic task at hand is not to amend education policies but to build up a capacity for implementing the policies already formulated. Informal task forces need to be constituted to examine

some of the critical management concerns--e.g., resource allocation, examination management, regionalization, information processing, institutional administration, etc. Intensive review of these and other issues could help in developing alternative and more effective approaches. A principal objective of this review process should be to ensure that, within the present resource contraints, available funds are directed towards the highest priority areas such as primary schooling, skills training and female education. As indicated earlier (paragraph 42), an improvement in education opportunities for girls and women is likely to be a key factor in reducing fertility rates and deserves special consideration in this context.

LABOR MIGRATION FROM PAKISTAN TO THE MIDDLE EAST

Introduction

1. Since the mid-seventies, migration from Pakistan to the oil surplus economies of the Middle East has risen dramatically and home remittances from Pakistanis working overseas have increased from $339 million in FY76 to over $2 billion in FY81. These remittances, which constitute the major gain from migration, are an important source of foreign exchange earnings and a significant addition to domestic household incomes and expenditure. The major loss to the economy is the decline in productivity as skilled workers, who cannot promptly be replaced, leave.

2. This annex summarizes the preliminary findings of a study entitled "Pakistani Emigration to the Middle East--A Cost Benefit Analysis" which is being conducted by the Pakistan Institute of Development Economics (PIDE). The study, jointly funded by the World Bank, UNICEF, GOP and PIDE, is scheduled for completion in April 1981. Discussion in the annex of future migration prospects is based on a study entitled "International Labor Migration and Manpower in the Middle East and North Africa" conducted by Bank staff. The annex focuses on the impact of migration on the economy and discusses policy implications with respect to manpower development, the use and encouragement of remittance flows and other issues.

Salient Features of Migration

3. Estimates of the number of Pakistanis employed in the Middle East range from 500,000 to over a million (see Table 1). Unofficial "guesstimates" place the figure at well over one million.

Table 1: ESTIMATES OF PAKISTANI MIGRANTS IN THE MIDDLE EAST

Source	Estimate	Period
Bureau of Emigration and Overseas Employment /a	489,696	1977-1979
Ministry of Manpower /b	1,120,000	Up to 1979
Air traffic data: Variant I /c	703,836	Up to 1978
Air traffic data: Variant II /c	1,041,863	Up to 1978
Survey of migrant households by Pakistan Institute of Public Opinion (PIPO)	1,250,000	Up to 1979

/a The Bureau's figures record migrants who have gone through either government channels or through a licensed recruiting agent.
/b The Ministry of Manpower estimate is based on the judgments of labor attaches in the Middle East.
/c Air traffic data based on analysis of passenger lists.
Source: Rabeeya Abbas and Tariq Javed "Estimation of Volume of Emigration from Air Traffic Data," Monograph of the International Migration Project, No. 1, 1980.

Source: Unless otherwise stated, the tables in this Annex are based on the PIDE study referred to in paragraph 2.

4. The majority of migrants-- roughly 84%--are production workers, with 43% unskilled and 41% skilled. Professional, clerical and service categories constitute a minority of the total (Table 2). The unskilled workers are mostly general laborers, but 12% are reported to come from the agricultural sector. Among skilled labor, the prominent occupations are construction workers (carpenters, masons, electricians, steel binders, painters, welders, plumbers, etc.), drivers, tailors, mechanics and machine operators. Engineers are the major migrants in the professional category; accountants, teachers and nurses are next, though the proportion is much smaller. Cooks and security guards figure most prominently as migrants in the service sector.

Table 2: CHARACTERISTICS OF MIGRANTS

Skill Composition	%
Production workers	83.2
Unskilled	42.6
Skilled	40.6
Professionals	4.3
Clerical	1.5
Service	2.2
Salesmen/business	6.0
Others	2.9
Total	100.0
Provincial Breakdown	
Punjab	70.4
Sind	14.0
NWFP	11.7
Baluchistan	3.9
Total	100.0

Source: PIDE study.

5. The typical migrant leaves his wife and family behind (which is the major rationale for remitting) and usually works overseas for a period of two to four years, visiting home once a year. It is not clear whether migrants tend to renew their contracts beyond this initial four-year period. Most of the skilled migrants have little or no formal vocational training but have long years of experience on the job. They come largely from lower income groups, though not the poorest, and originate from all four provinces; this implies that both the costs and the benefits of migration are likely to be felt throughout the economy. On an average income in Pakistan prior to migration of Rs 9,000 a year, migrants spend Rs 7,000 to arrange their overseas employment. Their average annual earnings in the Middle East are Rs 58,000.

Volume and Channels of Remittances

6. The individual endures the hardships of migration in return for the short and possibly longer-term benefits generated by remittances. On average, a migrant remits Rs 28,000 annually for a period of 3-4 years. These substantial transfers enable him to purchase assets and dramatically improve his consumption. Total remittances now exceed disbursements of foreign assistance and are equivalent to almost 76% of total merchandise export earnings and 33% of total merchandise imports (Table 3).

Table 3: PAKISTAN: MAJOR FOREIGN EXCHANGE FLOWS

(million US$)

	Annual Official Remittances	Disbursements of Foreign Assistance	Exports (f.o.b.)	Imports (ci.f.)
1975/76	339	1,059	1,162	2,341
1976/77	578	961	1,132	2,647
1977/78	1,156	856	1,283	3,039
1978/79	1,395	948	1,644	4,154
1979/80	1,743	1,469	2,341	5,177
1980/81 /a	2,128	1,174	2,716	6,168

/a Estimates.

Source: State Bank of Pakistan.

7. Surveys of migrant households indicate that the bulk of remittances flow through banking channels, although there is a portion, especially in NWFP, that utilizes the traditional system of private agents, the so-called "Hundi" system. Eighty-six percent of total migrants use banks in remitting earnings. This high percentage indicates that banking services are generally satisfactory. Out of an annual average remittance of Rs 28,000, Rs 7,500 are brought in cash on home visits and Rs 2,600 in kind. Roughly 25% of estimated savings are not remitted; the proportion varies between occupational groups, the highest being for the business category and the lowest for professionals (Table 4).

Table 4: AVERAGE INCOME, SAVINGS AND REMITTANCES BY SKILL CATEGORY

(thousand rupees)

Skill Category	Average Income	Average Savings	Average Remittances	Ratio of Average Remittances and Average Savings
Unskilled	43.27	29.66	22.55	.76
Skilled	53.77	34.88	26.96	.77
Professional	115.19	83.00	51.77	.62
Service and Clerical	69.20	49.52	34.20	.69
Business	57.95	34.25	31.94	.93
Others	82.50	63.25	42.00	.66

Source: PIDE study.

Use of Remittances

8. Analysis of the expenditure pattern of migrant households indicates that consumption is not as lavish, and investment-type expenditure not as insignificant, as is widely alleged. The migrant and his household consume 62% of remittances, invest 22% in real estate (of which 15% is in housing) and devote another 13% to other forms of investment and savings (Table 5). The 77% spent on consumption and residence constitute the immediate rewards of migration; the 20% on investment of various kinds constitute the source of the migrant's future income stream. 1/

Table 5: MAJOR EXPENDITURES OUT OF REMITTANCES

(rupees)

Expenditure Category	Amount	% of Total
Consumption	17,818	62.21
Recurring consumption	16,318	59.97
Marriages	680	2.37
Consumer durables	820	2.86
Real Estate	6,280	21.92
Construction/purchase of residential house	3,516	12.27
Improvements in house	658	2.30
Commercial real estate	1,658	5.79
Agricultural land	448	1.56
Investment, Savings	3,752	13.10
Agricultural investment	957	3.34
Industrial, commercial investment	2,378	8.30
Financial investments and savings	417	1.45
Residual	792	2.77
Total	28,642	100.00

Source: PIDE study.

1/ Experience from Turkish migration indicated that a significant portion of investments resulted in bankruptcy, due to lack of entrepreneurial skills. See S. Paine: Exporting Workers--The Turkish Case; Cambridge University Press, Cambridge, 1974.

Impact on Domestic Labor Markets

9. As the experienced and skilled workers leave Pakistan for jobs abroad, they have tended to be replaced by relatively inexperienced and less skilled labor rendering lower quality service at higher unit costs. Withdrawal of technical and managerial talent has also disrupted production, thus further lowering productivity.

10. Wages of skilled and unskilled labor have risen substantially in recent years. The contribution of migration to this process cannot be firmly established, due to data shortage. However, it seems likely that migration has been a significant contributing factor. If one assumes that the labor force is about 23 million and migration over one million, roughly 5% of the estimated labor force would be in the Middle East. The drain of labor in the construction sector has been particularly large. Data available on daily wage rates of skilled and unskilled labor in the construction sector show a yearly increase of 20-30% since the mid-seventies. Sparse data on rural wages indicate a 25% p.a. increase. While expansion of the supply of domestic manual labor has been moderated by migration, the growth in domestic demand has been buoyant due to a GDP growth of 5-6% p.a. since FY78; rising purchasing power fueled by remittances has itself contributed significantly to this increase.

Implications for Vocational Training

11. Evidence of rising wages and production costs indicates that Pakistan is paying a substantial price in return for the benefits of lucrative overseas employment. As foreign demand shifts in favor of skilled and professional labor, this price is likely to rise. To moderate the cost of migration, the Government can either impede the migration of these skilled categories or speed up the process of replacement, or a combination of both. The strong pull which foreign earnings exert on domestic labor and the spontaneity of recent migration in response to these earnings suggest that control is likely to be largely ineffective.

12. The major option therefore available to the Government is replacement of lost skills through vocational training. Typically, vocational training helps to replace skilled by semi-skilled workers, who after sufficient work experience also tend to migrate. Estimated costs of vocational training incurred before migration amount on average to Rs 23,000, while (as already noted) remittances average Rs 28,000 annually for roughly four years. On preliminary calculations, therefore, the social return seems positive, while the private return is significant (calculations of net present value of benefits and costs for different skill categories are currently being refined).

13. Conservative estimates place the gap between demand and supply of skilled/semi-skilled workers at 50,000 per year until 1985. The need to expand vocational training to narrow this gap is recognized by GOP and various training programs have been launched. Planned output of trainees from these programs amounts to roughly 30,000 p.a., a three-fold increase over FY79 levels. However, scarcities of finance and management personnel impose constraints on GOP's efforts at achieving these targets. Attracting and retaining instructors

remains a key problem. Given the high private return to vocational training, a greater role for the private sector should be considered.

Prospects

14. The potential for continuing migration remains substantial, provided political stability prevails in the oil surplus economies of the Middle East. Demand for labor from major labor importing countries has been projected to grow at 3.7% p.a. under a low growth assumption, and at 4.6% p.a. under a high growth assumption, during 1975-1985. 1/ These increases imply a total increase of 44.5% (low growth) or 57.5% (high growth) within the ten-year period. The occupational structure of migrant employment is expected to change during this period, with a greater increase in professional and technical categories than in semi-skilled and unskilled.

15. Pakistan's share in the growth in the Middle Eastern employment market will be the result of complex factors, the major ones being the policies of governments in the host countries with respect to the participation of different nationalities in their economic development and competition from other labor exporters in securing contracts. East Asian countries (Indonesia, South Korea, Malaysia, Philippines, Taiwan, and Thailand, for example) are projected to increase their share of the employment market, primarily because they are associated with "enclave type" contracts. Receiving countries prefer these contracts since they minimize the social and infrastructural overheads of absorbing migrant labor.

Conclusion

16. Four main points emerge from this brief summary of the benefits and costs of migration. First, since migration is primarily benefiting lower income groups both directly and indirectly, it would seem on balance that the income distribution impact is favorable, though in the absence of recent income distribution and consumption data a definitive assessment is not possible.

17. Second, given the large disparity between domestic and overseas earnings, administrative control of migration would be difficult, if not impractical. In addition, the data base required for selective controls does not exist. Nevertheless, the adverse effects of the exodus of manpower might in some instances be mitigated by improved manpower planning and by requiring those receiving training with government financial support to serve in the country for a minimum period before being granted permission to leave. Expansion

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1/ The major labor importing countries of the Middle East and North Africa considered in the Bank staff study are Algeria, Bahrain, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The low growth rate assumption encompasses a range of estimates from 4.7% to 10.3% p.a. These are closely related to the past performance of the countries involved. The high growth rate assumption covers a range of estimates from 4.7% p.a. to 11.6% p.a. These are based on individual growth rates as predicted by development plans or according to best estimates from relevant ministries.

of vocational training is likely to be the most effective tool in reducing the costs to the economy which the migration of scarce skills imposes. However, greater private participation in vocational training should be encouraged.

18. Thirdly, although a large share of remittances already flows through official channels and a significant proportion of remittances is invested, scope remains for improvement in both areas. One possible step being considered by the Government is the establishment of investment advisory centers in the OPEC countries and other areas where there are large concentrations of Pakistanis, to provide information about investment opportunities in Pakistan.

19. Fourthly, the future growth of remittances is difficult to predict, since a variety of conflicting forces will determine these flows. On the positive side, substantial growth in the demand for migrant labor is projected, assuming political stability. On the negative side, there may be increasing competition from other labor exporters. Other factors which are likely to affect remittances are the policies of host governments towards the participation of different nationalities in the workforce; foreign and domestic inflation rates and exchange rate policies; and the relative attractiveness of investment opportunities abroad.

20. It would appear that so far migration has on balance been beneficial to Pakistan. Given the existing substantial manpower resources which are less than fully employed, scope remains for additional migration without unduly affecting the domestic production base provided training programs are stepped up as required. In some instances, however, limited intervention may be a necessity to safeguard the availability of adequate manpower in key sectors. It is hoped that the data base on migrant flows, earning levels, remittances in cash and kind, the impact on domestic labor markets, and the expenditure structure of remittances will be improved to assist policy formulation in this area.

THE ISLAMIZATION OF PAKISTAN'S ECONOMY

Introduction

1. The creation of an Islamic economic system is a major objective of the Government of Pakistan. In October 1977, President Zia asked the Council of Islamic Ideology to prepare a blueprint of such a system. Since then, various committees composed of scholars, economists and bankers have been formed, and a number of seminars held, to consider ways and means to promote Islamization. Given the novelty and complexity of the task, the need for caution has been emphasized.

2. At a seminar on "Monetary and Fiscal Economics of Islam," in Islamabad in January 1981, the Finance Minister pointed out that the process of Islamization involves "a basic transformation of the entire society and intra-societal relationships" in conformity with the tenets of Islam. The achievement of social justice in every walk of life following Islamic principles, and especially redistribution of income and wealth in favor of the poor and the elimination of interest, are viewed as key features of the Islamization process. Pakistan has initiated the process of Islamization in two areas: (a) fiscal - the promulgation of "Zakat" and "Ushr," both traditional religious levies; and (b) financial - the introduction of a "profit and loss sharing" (PLS) system for certain financial institutions and operations. This annex reviews the measures that have been taken or proposed so far by the Government in pursuit of this policy.

Fiscal Measures

3. The Zakat and Ushr Ordinance was promulgated in June 1980. Zakat is a levy on wealth and Ushr on agricultural income. The first Zakat collection yielded Rs 485 million; no collection has yet been made of Ushr. The proceeds from these levies are to be paid into Zakat Funds for assistance to the needy; eligible individuals can receive up to Rs 40 per month. A network of 32,000 committees composed of religious persons and judges has been set up to administer the Funds.

4. Zakat is a levy of 2-1/2% p.a. on all institutional savings of Rs 1,000 or more, deposited for at least a year; the lower limit of Rs 1,000 was raised to Rs 2,780 in January 1981. It is also applicable to wealth not deposited in banks; its collection on such items depends on voluntary assessment and compliance. Zakat is a traditional religious levy, and the manner in which it should be levied varies between sects; the Shiite sect, which considers that Zakat should be a voluntary donation, has been exempted from the compulsory levy. Ushr is a levy of 5% p.a. on agricultural income of landowners in canal-irrigated as well as barani areas; tenants would be exempt from it. For administrative simplicity, Ushr would normally be collected in cash, although collection in kind could be considered for wheat and paddy since these are procured by the state.

Financial Measures

5. Interest-free seasonal loans. Interest-free loans for the purchase of seasonal inputs, in particular fertilizer, have been advanced to small farmers since FY79. This program, which was initiated in Punjab principally as an Islamic measure, has been rapidly expanded to partially offset the effects on farmers of the recent sharp increase in fertilizer prices. The loans increased from Rs 200 million in FY79 and Rs 400 million in FY80 to a targetted allocation of Rs 2.3 billion in FY81. Disbursement and repayment have been primarily in kind. The bulk of these loans has been handled by the cooperative banks. Initially, the target group comprised farmers operating 12.5 acres. For FY81, eligibility was extended to 25-acre farms. The loans made in FY79 and FY80 enjoyed a high recovery rate of above 90% and are believed by the Government to have significantly contributed to higher fertilizer offtake and crop output. Since these loans require considerable supervision, the administrative capability of cooperative departments will be severely stretched to meet the ambitious lending targets and maintain a high recovery record.

6. Conversion of selected financial institutions. Interest-free lending has been introduced at four financial institutions, the National Investment Trust, the House Building Finance Corporation, the Investment Corporation of Pakistan and the Small Business Finance Corporation.

7. The National Investment Trust (NIT) mobilizes savings on an equity basis for investment in the corporate sector. Over the last few years, GOP has guaranteed a minimum rate of return and repurchase price to unit holders; dividend income up to a maximum of Rs 10,000 and investment in units up to 30% of a unit holder's annual income, subject to a maximum limit of Rs 30,000, were both tax exempt. NIT has substantial holdings of debentures and of fixed deposits with banks. With the conversion to interest-free operations, NIT's relationships with its unit holders were not significantly altered, except that the tax exempt limit for dividend income was raised to Rs 15,000 and for investment allowance to Rs 35,000; thus, the purchase of units became more attractive from this point of view. NIT has been disinvesting its interest-bearing securities and converting them into Participation Term Certificates (PTC). A PTC embodies the principle of equitable risk sharing between borrower and lender under the Profit and Loss Sharing (PLS) system. A PTC enables the issuing company to raise capital for a specific period not exceeding 10 years excluding the grace period, against the security of a legal mortgage on its fixed assets. It entitles the holder of a PTC to share in the profits of the issuing company; the amount received would be exempt from income tax.

8. The House Building Finance Corporation (HBFC) finances construction and purchase of houses by the general public. It previously financed a large part of its lending program by borrowing at fixed interest rates from the State Bank of Pakistan (SPB); thus interest rates played a prominent role in both its borrowing and lending operations. With the conversion to an interest-free system, HBFC now jointly owns the property which it finances with the purchaser for a specified time period; receives installment payments from the purchaser,

after an agreed grace period, until the entire principal is repaid; and is entitled to a share of the rent, the value of which will be appraised by experts. In case a purchaser wishes to sell a property before the expiry date of the loan, he could do so provided he pays off the entire principal and HBFC would share in the capital gain or loss accrued on the property. HBFC issues PTC against its borrowings, which continue to come principally from the State Bank of Pakistan.

9. The Investment Corporation of Pakistan (ICP)'s main functions include underwriting and arranging new capital issues; floating mutual funds; and managing the investment portfolios of individual investors; it has borrowed primarily from the State Bank, the Government and through the sale of GOP guaranteed debentures. ICP received interest payments on debentures, bridge finance and loans under its investors' schemes. With its conversion into an interest-free institution, ICP now issues PTC instead of debentures to raise capital. It has also eliminated interest-bearing securities from the investment portfolios of its mutual funds.

10. The Small Business Finance Corporation (SBFC) will in future provide finance for purchase of equipment, which it will jointly own with the borrower, against an initial downpayment of 40% of the value of equipment. It will receive installment payments and be entitled to a share of the profits generated by the use of the equipment. Financial assistance to meet working capital requirements will also be on a profit/loss sharing basis.

11. In addition to the above institutions, GOP has established the Bankers Equity Limited (BEL), which started functioning in February 1980, to provide equity capital through the issue of PTC to the corporate sector. BEL will also float "modarabas." As defined in the State Bank of Pakistan's 1979-80 Annual Report, modaraba is a business in which a person participates with his money and another with his efforts, and profits on investment made out of the modaraba funds are distributed among the parties in agreed proportion. In the event of loss, however, the entire financial loss is borne by the party providing capital. Modarabas can be floated only for purposes permitted under the Shariah (Islamic rules of conduct) and approved by a Religious Board. The income generated by a modaraba fund will be tax exempt, provided 90% of the income is distributed to modaraba certificate holders. BEL has an authorized share capital of Rs 1.0 billion, of which Rs 250 million was paid in by the State Bank and the five nationalized commercial banks.

12. Interest-free counters. In January 1981, interest-free deposit counters were opened in almost all branches of Pakistani banks. These counters will operate in parallel with conventional banking activities and depositors still have the option of choosing to make interest-bearing deposits. Depositors choosing the interest-free option are entitled to share in the profits/losses of the investments financed by their funds. The State Bank has specified an initial list of investments for which such funds may be used. In addition to instruments issued by NIT, ICP, HBFC and BEL, these investments include various public and private commercial activities such as government operations for the supply of wheat and other essential commodities; trading

operations of the Rice Export Corporation, Cotton Export Corporation and Trading Corporation of Pakistan; export bills; and import bills drawn under letters of credit. Bank interest charged on loans for these activities has been replaced by a mark-up. Profits of up to Rs 15,000 per annum earned by depositors on PLS accounts will be exempt from income tax.

Conclusion

13. The above measures have been in operation for too short a period, and on too limited a scale, for their impact on the economy to be yet fully evident, though some effects can be identified. The imposition of Zakat, for example, appears to have adversely affected bank deposits, at least temporarily. In addition, the proposal to abolish interest rates may have helped to discourage payment of interest on outstanding loans and contributed to the collection problems of such institutions as PICIC and IDBP. The uncertainty about the implications of Islamization may have also contributed to the slowness of the recovery in private investment. While conventional banking operations continue in parallel with the introduction of an interest-free system, the principal tool of the banking system--namely, interest rates--has fallen into disuse as a policy instrument. An effective alternative means for encouraging private savings has not yet been developed. The impact of Islamization on the mobilization of institutional savings, including foreign savings through remittances, and their efficient allocation among competing investment opportunities will need to be carefully monitored. There is a danger that interest-free lending could develop into an extensive system of subsidized credit, at increasing cost to the Budget. In recent pronouncements on this subject, the Government has again underlined the need for care in moving over to an interest-free system and has stressed that a definitive and viable alternative has yet to be developed to the present interest-based system. The Government has also given an assurance that foreign loans and credits will not be affected by any future measures.

TECHNICAL NOTE ON ECONOMIC PROJECTIONS

1. This Annex sets out some additional background to the projections discussed in Section B of Part II, and presents some sensitivity analysis of the results to a number of alternative assumptions. 1/ The sensitivity analysis does not attempt to present the financing requirements or other implications of alternative, assumed rates of economic growth through the 1980s. The objective of the analysis in the Report is to clarify the conditions (including the requirements of external assistance) under which a 5% to 6% p.a. rate of economic growth might be sustainable over the years to FY88.

2. The projections are based on assumed average sectoral rates of growth over the FY80 to FY88 projection period. These assumed averages are 4% p.a. for agriculture, 6% p.a. for industry and 5.8% p.a. for other sectors. No attempt has been made to allow for fluctuations around this average which will certainly follow from weather and other uncertain factors in the case of agriculture and the exact timing of completion of large-scale plants in the case of industry. The projected changes in sectoral composition of GDP, together with projected changes in expenditure and savings ratios over time, are set out in Table II.1 (page 48). It should be noted that the assumption of improving savings rates over the coming years is of vital importance. If GOP's policies to promote savings lag behind these expectations, then the assumption regarding exports and imports trends to FY88 would also need to be revised to maintain the internal consistency of the projections. If the proportion of savings from the assumed rates of growth of GNP were to be revised downwards, there would be a reduced scope for exports and relatively increased demand for imports associated with higher growth of consumption (assuming a given relation between growth and investment requirements). The balance of payments projection shown in Table II.3 (page 52), and the sensitivity analysis which follows, indicates that the financing requirements of a 5.3% p.a. economic growth will not be easy to mobilize. Therefore, if savings were to rise less rapidly than assumed, the growth targets would need to be revised downward as a result of tightening balance of payments constraints.

3. Table 1 sets out the assumed rates of growth of major exports and imports and assumed trends in export and import prices for the FY80 to FY88 projection period. The projections are based on an assumed continuation of strong recovery of exports over the past several years. In the absence of continued export growth, combined with a sustained rate of increase in workers' remittances, the borrowing program required to support a 5.3% p.a. growth rate would not be manageable as the debt service ratio would accelerate well beyond acceptable limits.

1/ The projections and sensitivity analyses were generated using the World Bank's Revised Minimum Standards Model, with some minor adaptations to suit the Pakistan economic background.

4. Export volumes of raw cotton and rice are assumed to increase at 10% p.a. and 7% p.a., respectively, from FY80 to FY83. In addition, the volume of cotton yarn exports is assumed to grow at over 8% p.a. with cotton cloth exports growing in volume at over 7% p.a. over the same period. These assumptions depend on the attainment of very good crops and improving yields in each of these years on the one hand, and a continuing increase in Pakistan's share of the world market for these commodities on the other hand. In view of these demand and supply considerations, it would not be realistic to expect that such very high rates of growth will be sustainable throughout the 1980s. From FY83 to FY88, it has been assumed that the volume of raw cotton exports will increase at an average rate of 2% p.a. which is in line with the expected rate of growth of world demand. It is also assumed that an increasing proportion of cotton products will be exported in processed form, so that the volume of cotton yarn and cotton cloth exports are assumed to increase at 4.5% and 5% p.a., respectively, which is somewhat in excess of the expected growth of world demand. The volume of rice exports is assumed to increase at 4% p.a. from FY83. These assumptions are consistent with the assumed average overall growth of agricultural output at 4% p.a. over the period, which is in line with a realistic assessment of the manageable, sustained rates of improvement in agricultural production in the region. Long-term price prospects appear to be favorable for both cotton and rice. Abstracting from short-term fluctuations, the prices for these products are expected to increase slightly faster than the general index of world inflation (see Table 1).

5. Turning to other exports, it is assumed that the growth rates expected for the next two years can be maintained throughout the projection period. It has been assumed that an increasing proportion of the output of the non-agricultural sectors can be exported over time, with assumed average rates of growth (in constant prices) of 11% p.a. for manufactured exports and 8.5% for other exports from FY83 to FY88, so that average rate of growth of all exports ranges between 6.5% to 7% p.a. in constant prices over the latter part of the projection period. Slightly higher rates of price increases have been assumed for "other goods" than for manufactures, as these exports include a significant proportion of re-exports of refined POL products. It should be noted that such a long-run assumption of an export-led growth in the non-agricultural sector of the economy will not be easily realized. In recent years, the growth of such exports has been increasingly bolstered by special forms of export incentives ranging from subsidized credit to rebates of import duties as well as specific export subsidies. This suggests that significant improvements in efficiency may be required in order to achieve the assumed high rates of export growth in difficult world market conditions. In view of these uncertainties, Table 2 illustrates the sensitivity of balance of payments projections to a lower rate of growth of manufactured and "other" goods.

6. Imports are expected to increase sharply during FY81 following the import liberalization measures of December 1980, but are expected to level off in FY82 and FY83 so that the rate of growth of total imports follows a 5% p.a. trend through the projection period. Table 1 indicates that food imports are assumed to continue to fall to FY83 as wheat and sugar imports are eliminated or sharply reduced. For the years beyond FY83, it is assumed

that imports of other foods (e.g., vegetable oils, tea) increase in proportion to personal consumption with an elasticity of 0.4, resulting in an average annual growth of 2% p.a. Other consumer goods imports are assumed to increase at just under 5% p.a. in line with the growth of general consumption. Imports of capital goods are assumed to increase in parallel to the assumed investment growth trend of just over 6% p.a. beyond FY83; a 6% p.a. growth trend has also been assumed for imports of intermediate inputs to agriculture and industry. It should be noted that this last assumption will only be realized if there is a substantial and timely sequence of major investments in sectors such as cement and fertilizers.

7. The future trend of petroleum imports will have an important bearing on Pakistan's long-term balance of payments outlook: however, it is quite difficult to predict prospects for the growth of total requirements and for an expansion in domestic production. GOP has made substantial adjustments in the consumer prices of petroleum products in recent years, so that energy prices are, except for natural gas, broadly in line with international prices. These price adjustments have been effective in slowing the growth of demand especially in the case of kerosene, and have been backed up by other conservation efforts. The remaining scope for conservation may be relatively limited, as further substitution away from petroleum products may not be easily achieved in domestic use and in the transport sector. Accordingly, it has been assumed that total petroleum requirements will increase at least in line with general economic growth at 5.5% p.a. At the same time, there are some doubts concerning the prospects for meeting this growth in total requirements through increased domestic production. Although prospects for future production remain good, it will take some time to clarify the prospects for expanding domestic output. For the purposes of generating balance of payments projections to FY88, it has been assumed that domestic production of petroleum can increase at an average rate of over 15% p.a. so that import requirements increase at only 3% p.a. to FY88. In order to illustrate the importance of pursuing policies to optimize the growth of domestic petroleum production, an alternative projection has been generated on the assumption that the volume of petroleum imports can be held constant after FY82: the effect of this more favorable assumption on the balance of payments is shown in Table 2.

8. The assumed trend of future increases in petroleum prices of just under 11% p.a. (in nominal terms) could be viewed as somewhat conservative, in the light of recent developments. However, if oil prices were to increase more rapidly over the next few years, there would be upward pressure on all other prices, including prices for Pakistan's major exports: it should be noted that Pakistan's terms of trade have been remarkably stable since FY77 (and have improved in comparison to FY75) despite the recent sharp increases in petroleum prices. Accordingly, although petroleum prices have been assumed to increase faster than the general rate of world inflation, it has been assumed that there would be a slow and gradual, rather than a major, decline in Pakistan's terms of trade over the projection period, as shown in Table 1.

9. Over recent years, the flow of remittances from Pakistanis working abroad has become by far the largest single component of Pakistan's foreign exchange receipts, and the rapid growth of remittances over the past six years, during a period of falling net aid flows, has been instrumental in preventing a massive disruption of Pakistan's economy. At the same time, the growth of the relative importance of remittances has led to a high degree of uncertainty regarding the future management of the balance of payments. As discussed below, alternative assumptions about the possible average rate of growth of remittances during the 1980s lead to quite different balance of payments prospects for the decade. At the same time, there is a lack of information on which expectations regarding the future of labor migration could be based. Annex I to this Report summarizes the limited information available on the nature and extent of labor migration. While there is considerable uncertainty regarding numbers of migrants, there is reason to believe that the number of workers abroad is in excess of one million and the number is increasing at a rate between 5% and 10% per year. However, there are also grounds for concern that net emigration may be considerably slowed as the absorptive capacity of the receiving countries is approached due to both social and economic considerations. If it is assumed that inflation and real wage increases would boost the nominal volume of remittances by around 10% per year, then it would be reasonable to assume that the flow of remittances will continue to grow in nominal terms at somewhere between 10% and 15% p.a. over the coming years; however, there is an unavoidable downside risk that no growth may take place, at least in some of these years. A rate of 12.5% p.a. has been used to generate the "base case" projection while Table 2 illustrates the sensitivity of the balance of payments to alternative assumptions regarding the future of remittances.

10. Table 2 brings together the various assumptions discussed in Section B of Part II and the alternative assumptions set out in the preceding paragraphs in order to indicate the sensitivity of projections of the current account deficit of the balance of payments. There is no meaningful way of attaching specific probabilities to the various possible combinations of circumstances such as reduced exports of manufactures, faster replacement of petroleum imports or different rates of growth of remittances. Nevertheless, there is a strong possibility that, despite a sound export performance and continued success in import substitution, especially in the agricultural and petroleum sectors, the long-term current account deficit may fluctuate around the constant trend in real terms of the "base case." Accordingly, it is likely that a trend of constant real level of capital inflows to Pakistan will be required through the 1980s. The following sensitivity analysis considers how these requirements might be met over these years.

11. As noted in Part II (paragraph 17), grants are assumed to constitute a minor proportion to total assistance throughout the projection period. With respect to long-term concessional loans, Table 3 indicates the different financing gaps which would emerge corresponding to alternative assumptions regarding flows of external assistance in the form of loans, both higher and lower than the assumption of approximately constant net disbursements in real

terms over the years to FY88, which was used to generate the balance of payments projections shown in Tables II.3 and II.4 (pages 52 and 54). The sensitivity of the balance of payments to such alternative aid assumptions is discussed in paragraphs 18 and 19 below, following the discussions of the remaining assumptions required to generate balance of payments projections to FY88.

12. As part of these assumptions, it has been assumed that the rate of increase of public expenditure in real terms (namely 5% p.a. for total budget expenditures and 6% p.a. for public investment) would not be affected by alternative assumptions regarding the expected trend in external loan assistance. This is consistent with a policy assumption that the rate of public expenditure should be planned to support the essential requirements of maintaining economic growth, combined with modest improvements in basic services. These needs do not vary in response to alternative assumptions concerning external support, but in the absence of sufficient support they may not be met and, in the long term, a lack of growth in public investment would result in a correspondingly lower rate of development due to lack of adequate infrastructure. It should be noted that, even under the "high aid" assumption, the proportion of total development expenditure financed by net external assistance would be no higher by FY88 than the estimated 32% in FY80 and far below the 74% degree of external support for development expenditure in FY75.

13. At the special meeting of the Pakistan Consortium to consider debt rescheduling, held in January 1981, it was agreed that 90% of the debt service payments on official concessional assistance which would fall due between January 15, 1981 and July 14, 1982 would be rescheduled on terms which represent a grant element of 55%. The agreement made provision for a consideration of the need for a further period of debt relief to follow the conclusion of the initial 18-month period: the potential effects of such an extension are illustrated by Table 4. No further purchases of foreign exchange from the IMF are assumed beyond the end of the existing EFF arrangement.

14. Foreign investment flows to Pakistan have not been a significant item in the history of Pakistan's balance of payments. Over the coming years there are possibly better prospects for some increase in these flows if the overall rate of private investment continues to expand and the trend of economic interdependence with Gulf countries continues. A survey of recent sanctions granted by the Investment Promotion Bureau shows a marked increase in interest from project sponsors based in the Middle East. It has been assumed that the flow of foreign investment, mainly from this source, would increase at 12% p.a. over the projection period: however, since the expansion of these flows commences from a very low base, private overseas investment cannot be expected to become a major component of Pakistan's foreign exchange receipts in the foreseeable future.

15. Over the last two years, in response to acute shortages of foreign exchange, the outstanding balances of short-term foreign borrowing of less than one year's maturity have been built up to approximately $350 million. In addition, Pakistan's foreign exchange reserves have been augmented by special deposits from other central banks amounting to over $200 million. It has been assumed that these balances can continue to be held by the State Bank of Pakistan. However, no further increases in such short-term or special liabilities have been assumed, since any further increase would add to the already high degree of uncertainty involved in balance of payments management. Table 4 illustrates the potential effect of a partial rundown of the accumulated short-term debt on financing needs through the remainder of the projection period.

16. As noted in paragraph 3 above, the prospects for medium to long-term commercial borrowing by GOP or by Pakistan's private sector depend on economic performance and, in particular, on the growth of exports over the next few years. The recent, good export performance combined with the growth of remittances has brought about a corresponding decline in the ratio of Pakistan's debt service to exports of goods and services. Nevertheless, it is reasonable to expect that sustained sound performance over a further period of years would be required before Pakistan's credit rating would permit substantial medium-term commercial borrowing on reasonable terms. Accordingly, it has been assumed that there will be no recourse to new medium-term commercial borrowing from overseas up to FY83, so that fluctuations in reserves become the balancing item in the external account for those years. From FY84 onwards it is assumed that Pakistan would be able to borrow prudent amounts from overseas commercial capital markets on acceptable terms. Accordingly, it has been assumed that GOP will adopt a strategy of maintaining reserves around an acceptable trend and recourse to medium-term commercial borrowing becomes the balancing item of the external account for those years. In order to generate the projections which are presented, it has been assumed that such loans could be negotiated on the following terms: repayment period of seven years including three years' grace, at an interest rate which declines from 12% to 9.5% by the end of the period in line with the assumed deceleration in international inflation rates. As commercial borrowing from overseas is derived as a residual item for each set of balance of payment projections, it should be noted that the "viability" or "realism" of any of the projections presented would depend on Pakistan's ability to raise the implied amounts of commercial finance on comparable terms and the effects of such borrowings of Pakistan's future burden of debt service.

17. As noted in Section F, Part I, Pakistan's reserves of foreign exchange 1/ are expected to decline in FY82, but are expected to recover to be close to the level of $750 million reached in June 1980 by the end of FY83. However, by that time the purchasing power of these reserves would be only sufficient to cover one month's value of expected imports of goods and services. For the remaining years of the projection period, it has been assumed that the Pakistan authorities will seek to add to reserves so as to reach a level representing the equivalent of at least 1.5 months' imports by the end of the period. In view of the major uncertainties, including inevitable fluctuations in international prices, this could be regarded as the least ambitious strategy for reserves management. On the basis of the assumptions regarding future imports, the reserves target of 1.5 months' imports at the end of FY88 will require a net accumulation of $1.2 billion over the projection period (as shown in Table 4) creating an additional, unavoidable need for increasing inflows of foreign exchange from alternative sources.

18. Table 3 brings together the assumptions regarding current account variables used to generate the "base case" shown in Table 2, 2/ with the assumptions regarding capital flows in order to indicate the sensitivity of the balance of payments to alternative assumptions regarding the flow of external assistance. The "low aid" case corresponds to the assumptions of Case I of Table I.29 (page 44): under this set of assumptions the commitments of long-term concessional assistance are assumed to be constant in real terms, leading to declining net disbursements of loan assistance over the projection period. The "medium aid" case of Table 3 assumes that commitments will increase in real terms in FY82 and FY83 (remaining constant in real terms after FY83), leading to approximately constant net disbursements in real terms over the years to FY88: this set of assumptions corresponds to Case II of Table I.29. The "high aid" case of Table 3 is based on a continued 5% p.a. increase in the real value of commitments of long-term concessional loan assistance from FY83 to FY88, allocated in equal proportions between project and program assistance. 3/

1/ The discussion of reserves does not include Pakistan's holdings of gold. When valued at current gold prices, these holdings would be sufficient to finance approximately two months' value of imports. However, they are not regarded as being available to support normal balance of payments management. They may be regarded as a reserve against emergencies or natural disasters, whose costs cannot be allowed for in balance of payments projections.

2/ These assumptions were also used to generate the balance of payments projections shown in Table II.3 and II.4 in Part II.

3/ The additional project assistance is assumed to be lent at 3% p.a. over 33 years, including 10 years' grace, while the incremental program-type assistance is assumed to be lent at 2.5% p.a. over 12 years including 3 years' grace.

19. It may be seen from Table 3 that, as noted in Part II, a trend of constant net disbursements of long-term concessional loans in real terms should be regarded as a minimum objective for external assistance through the 1980s. The current account deficit is projected to be constant in real terms, but almost doubles in nominal terms. A reversal of net purchases of foreign exchange from the IMF beyond 1983, combined with the need to replenish reserves, implies a declining flow of capital from sources other than concessional loans; so that the maintenance of real net disbursements of such loans would leave financing gaps which could not be covered by commercial borrowing. Unless the current account deficit can be reduced in real terms over time (e.g., through increased domestic petroleum production or more rapid flows of remittances, as shown in Table 2), then increasing net disbursements of concessional loans in real terms would be required to meet the financing requirements of a 5% to 6% p.a. sustained growth through the 1980s.

20. Table 4 indicates the potential effect of extending the recently agreed 18-month period of debt relief for a full three years (to December 1983) on similar terms. It may be seen that the financing gaps are less sensitive to the incremental effect of such an extension, compared to the effects of alternative assumptions regarding long-term trends of external assistance which were illustrated in Table 3. Nevertheless, an extension of debt relief could make a useful contribution to Pakistan's financing needs throughout the projection period. Table 4 shows how the financing gaps for each year to FY88 would be reduced if the benefit of further debt relief were used to reduce the need for short-term borrowing during FY83 and FY84. In these terms, an extension of debt relief to three years would be a useful interim measure to provide short-term support to the end of 1983, while increased flows of more sustainable assistance are built up.

Table 1: PROJECTED TRENDS IN EXPORTS AND IMPORTS
(million US$)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Exports									
A. Volumes (% rates of annual growth)									
Rice	7.4	12.8	2.9	5.1	4.0	4.0	4.0	4.0	4.0
Raw cotton	358.1	22.3	6.0	5.1	2.0	2.0	2.0	2.0	2.0
Cotton yarn	0.0	5.3	9.2	10.5	4.5	4.5	4.5	4.5	4.5
Cotton cloth	2.6	2.5	10.0	9.8	5.5	5.5	5.5	5.5	5.5
Manufactures /a	n.a.	6.8	6.3	5.8	11.0	11.0	11.0	11.0	11.0
Other goods /a	n.a.	4.5	5.6	6.1	8.5	8.5	8.5	8.5	8.5
B. Prices (% change over previous year)									
Rice	3.0	9.5	7.0	4.5	7.7	7.5	7.3	7.2	7.0
Raw cotton	10.9	7.1	7.8	7.2	7.4	7.2	7.0	6.9	6.7
Cotton yarn	n.a.	1.9	7.2	6.7	7.4	7.2	7.0	6.9	6.7
Cotton cloth	n.a.	0.7	11.1	8.0	7.4	7.2	7.0	6.9	6.7
Manufactures	n.a.	12.3	8.7	11.9	6.7	6.5	6.3	6.2	6.0
Other goods	n.a.	13.8	14.1	12.0	7.5	7.3	7.1	7.0	6.8
Imports									
A. Volumes (% ratesof annual growth)									
Food	n.a.	6.1	-22.3	-2.7	1.9	2.0	2.0	2.0	2.0
Other consumer goods	n.a.	17.3	-3.7	0.5	2.8	4.9	4.9	4.9	4.9
Petroleum	n.a.	7.0	0.5	2.4	3.2	3.2	3.2	3.2	3.2
Intermediate goods	n.a.	36.2	-1.1	-4.8	4.2	6.0	6.0	6.0	6.0
Capital goods	n.a.	1.0	4.4	-2.5	4.9	6.1	6.1	6.1	6.1
B. Prices (% change over previous year)									
Food	n.a.	4.1	10.0	10.0	6.7	6.5	6.3	6.2	6.0
Other consumer goods	n.a.	4.1	10.0	10.0	6.7	6.5	6.3	6.2	6.0
Petroleum	n.a.	11.4	12.9	13.0	9.9	8.2	8.0	7.8	7.7
Intermediate goods	n.a.	4.1	10.0	10.0	6.7	6.5	6.3	6.2	6.0
Capital goods	n.a.	4.1	10.0	10.0	6.7	6.5	6.3	6.2	6.0

/a Projections are values measured at constant prices.

Source: Bank staff estimates.

Table 2: BALANCE OF PAYMENTS, CURRENT ACCOUNT, 1979/80-1987/88 SENSITIVITY ANALYSIS

(million US$)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Case (i): "Base case" /a									
Exports (f.o.b.)	2,365	2,766	3,211	3,722	4,212	4,791	5,482	6,281	7,184
Imports (c.i.f.)	5,177	6,169	6,733	7,323	8,301	9,341	10,484	11,790	13,226
Non-factor services (net)	249	245	287	323	371	424	482	549	624
Resource gap	-2,563	-3,158	-3,235	-3,278	-3,718	-4,126	-4,520	-4,960	-5,418
Factor services (net)	1,438	1,559	1,736	1,960	2,199	2,465	2,770	3,118	3,511
(of which workers' remittances)	(1,748)	(1,900)	(2,138)	(2,405)	(2,705)	(3,043)	(3,424)	(3,852)	(4,333)
Current account balance	-1,125	-1,599	-1,499	-1,318	-1,520	-1,661	-1,749	-1,842	-1,907
Memorandum items									
Current account balance (FY80 prices)	-1,125	-1,454	-1,260	-1,030	-1,109	-1,138	-1,128	-1,116	-1,089
Current account balance (as % of GDP)	(-4.9)	(-6.0)	(-5.0)	(-3.9)	(-3.9)	(-3.8)	(-3.6)	(-3.4)	(-3.2)
Case (ii a): Remittances (growing at 10% p.a.)	1,748	1,900	2,090	2,299	2,529	2,782	3,060	3,366	3,703
Current account balance (FY80 prices)	-1,125	-1,599	-1,547	-1,427	-1,709	-1,957	-2,181	-2,445	-2,721
(as % of GDP)	(-4.9)	(-6.0)	(-5.0)	(-4.2)	(-4.4)	(-4.5)	(-4.5)	(-4.5)	(-4.5)
Case (ii b): Remittances (growing at 15% p.a.)	1,748	1,900	2,185	2,513	2,890	3,323	3,822	4,395	5,054
Current account balance (FY80 prices)	-1,125	-1,599	-1,452	-1,206	-1,323	-1,346	-1,280	-1,175	-987
(as % of GDP)	(-4.9)	(-6.0)	(-4.8)	(-3.5)	(-3.4)	-(3.1)	(-2.6)	(-2.2)	(-1.6)
Case (iii): Slower growth of exports /b									
Exports	2,365	2,766	3,211	3,722	4,172	4,700	5,323	6,033	6,825
Current account balance (FY80 prices)	-1,125	-1,599	-1,499	-1,318	-1,561	-1,759	-1,927	-2,129	-2,340
(as % of GDP)	(-4.9)	(-6.0)	(-5.0)	(-3.9)	(-4.0)	(-4.1)	(-4.0)	(-3.9)	(-3.9)
Case (iv): Reduced imports of petroleum /c									
Petroleum imports	1,237	1,509	1,705	1,927	2,118	2,313	2,526	2,759	3,012
Import savings compared to base case	0	0	0	47	120	210	316	444	598
Current account balance (FY80 prices)	-1,125	-1,599	-1,499	-1,272	-1,395	-1,432	-1,385	-1,307	-1,158
(as % of GDP)	(-4.9)	(-6.0)	(-5.0)	(-3.7)	(-3.6)	(-3.3)	(-2.9)	(-2.4)	(-1.9)

/a The "base case" corresponds to the projected current account balance in Table II.3.

/b Exports of manufactured goods: "base case" 11% p.a.; case (iii) 9% p.a. from FY83 to FY88.
Exports of "other" goods: "base case" 8.5% p.a.; case (iii) 6.5% p.a. from FY83 to FY88.

/c The volume of petroleum imports is assumed to be constant from FY82 in case (iv), compared to an increase of 20% from FY82 to FY88 in the "base case." The figures shown in the table are in current prices, allowing for an average 11% p.a. increase in petroleum prices over the projection period.

Source: Bank staff estimates.

Table 3: BALANCE OF PAYMENT IMPLICATIONS OF ALTERNATIVE AID FLOWS

(million US$)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
A. Low Aid Flows /a									
Commitments (FY80 prices)	1,017	990	1,151	1,059	1,072	1,066	1,061	1,052	1,048
Net disbursements (FY80 prices) /b	826	752	723	555	564	560	560	560	557
% of development expenditures financed by net disbursements	32	32	29	21	20	19	18	17	16
Balance of Payments									
Current account deficit	-1,125	-1,599	-1,499	-1,318	-1,523	-1,683	-1,798	-1,926	-2,032
Loan disbursements: official	1,099	1,169	1,232	1,125	1,193	1,301	1,400	1,498	1,595
" " : private	78	51	27	12	662	998	1,252	1,658	1,994
Amortization: official	-273	-342	-371	-415	-420	-484	-532	-574	-620
" : private	-77	-70	-65	-57	-48	-42	-35	-191	-434
Other flows /c	670	638	634	636	286	109	-11	-116	-102
Change in reserves	-372	-153	-43	-17	-150	-200	-275	-350	-400
Financing gap	-	-	-	-	650	994	1,252	1,658	1,994
Debt service ratio /d	14.6	15.2	13.9	12.7	11.1	12.5	13.9	16.1	17.5
B. Medium Aid Flows /e									
Commitments (FY80 prices)	1,017	990	1,318	1,427	1,442	1,446	1,451	1,419	1,438
Net disbursements (FY80 prices)	826	752	798	681	752	796	836	824	842
% of development expenditures financed by net disbursements	32	32	32	26	28	27	26	25	24
Balance of Payments									
Current account deficit /f	-1,125	-1,599	-1,499	-1,318	-1,520	-1,661	-1,749	-1,842	-1,907
Loan disbursements: official	1,099	1,169	1,321	1,287	1,450	1,646	1,828	1,937	2,106
" " " private	78	51	27	12	352	582	724	1,012	1,139
Amortization: official	-273	-342	-372	-415	-420	-484	-532	-578	-633
" : private	-77	-70	-65	-57	-48	-42	-35	-113	-253
Other flows	670	638	634	636	286	109	-11	-116	-102
Change in reserves	-372	-153	-46	-145	-100	-150	-225	-300	-350
Financing gap	-	-	-	-	340	578	724	1,012	1,139
Debt service ratio	14.6	15.2	13.9	12.8	11.3	12.5	13.5	14.8	15.3
C. High Aid Flows /g									
Commitments (FY80 prices)	1,017	990	1,315	1,427	1,498	1,573	1,652	1,735	1,821
Net disbursements (FY80 prices)	826	752	798	681	785	873	974	1,039	1,119
% of development expenditures financed by net disbursements	32	32	32	26	28	30	31	32	32
Balance of Payments									
Current account deficit	-1,125	-1,599	-1,499	-1,318	-1,520	-1,657	-1,734	-1,807	-1,837
Loan disbursements: official	1,099	1,169	1,321	1,287	1,496	1,759	2,042	2,298	2,607
" " : private	78	52	27	12	307	465	496	609	543
Amortization: official	-273	-342	-371	-415	-420	-484	-532	-583	-648
" : private	-77	-70	-65	-57	-48	-42	-35	-102	-212
Other flows	670	638	634	636	286	109	-11	-116	-102
Change in reserves	-372	-153	-46	-145	-100	-150	-225	-300	-350
Financing gap	-	-	-	-	294	461	496	609	543
Debt service ratio	14.6	15.2	13.9	12.7	11.3	12.4	13.4	14.4	14.6

/a Commitments of medium and long-term loan assistance are assumed to remain constant in real terms: the assumptions correspond to Case I of Table I.29.

/b Figures include all medium and long-term concessional loans.

/c Other flows include: grants, private investment, IMF Trust Fund, net purchases of foreign exchange from the IMF and changes in short-term indebtedness.

/d The debt service ratio is defined as the ratio of all interest plus amortization payments on medium and long-term loans, together with service charges and repurchases associated with outstanding IMF purchases, expressed as a ratio of exports of goods and services.

/e Net disbursements of loan assistance measured in FY80 prices are assumed to fluctuate around a constant real trend: these assumptions correspond to Case II of Table I.29, and are those used to generate Table II.3 and II.4 in Part II of the Report.

/f The current account deficits vary between cases due to the different interest burden resulting from the alternative aid flows and corresponding financing gaps in each case.

/g Commitments of assistance are for the "medium aid" case to FY83, but are assumed to continue to increase at 5% in real terms from FY84 to FY88.

Source: Bank staff estimates.

Table 4: IMPLICATIONS OF ADDITIONAL DEBT RELIEF /a

(million US$)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
I. Presently Agreed Debt Relief									
Current account balance	-1,125	-1,599	-1,499	-1,318	-1,520	-1,661	-1,749	-1,842	-1,907
Debt relief /a	-	74	158	-	-	-	-	-	-
Short-term official borrowing	31	36	-	-	-	-	-	-	-
Change in reserves	-372	153	-46	-145	-100	-150	-225	-300	-350
Financing gap	-	-	-	-	340	578	725	1,012	1,139
Debt service ratio	14.6	15.2	13.9	12.7	11.3	12.5	13.5	14.8	15.3
II. Extension of Debt Relief									
Current account balance	-1,125	-1,599	-1,499	-1,318	-1,504	-1,637	-1,722	-1,812	-1,873
Debt relief /b	-	74	158	160	80	-	-	-	-
Short-term official borrowing /c	31	36	-	-160	-80	-	-	-	-
Change in reserves	-372	153	-46	-145	-100	-150	-225	-300	-350
Financing gap	-	-	-	-	325	553	697	977	1,095
Debt service ratio	14.6	15.2	13.9	12.7	11.3	12.5	13.5	14.7	15.2

/a This case corresponds to the projection used to generate Table II.3 in Part II; it also corresponds to the "medium aid" case in Table C of this Annex. The debt relief figures reflect the agreement reached at the January 1981 meeting of the Pakistan Consortium.

/b This projection is based on extension of the existing debt relief arrangement to July 14, 1982, which would apply to debt service due up to December 31, 1983. It is assumed that similar volumes of repayments would be rescheduled on terms similar to those agreed in January 1981.

/c It is assumed that the proceeds of the rescheduling could be used to reduce the need for short-term borrowing in those years, resulting in a net reduction in outstanding short-term balances.

Source: Bank staff estimates.

PAKISTAN. POPULATION PLAN 1980-83 - SUMMARY AND TENTATIVE ASSESSMENT OF CRITICAL ACTIONS FOR IMPLEMENTATION

Component or Project Name	Implementing Agency	Geographic Coverage	Facilities and/or Personnel to be Used	Type of Activity in Population/Family Planning	Target Population or Audience	Critical Action(s) to enable Implementation	Implementation, When
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. "Core Program" 1. Family Welfare Centers (FWCs)	Population Division Prov. Population Directorates, District Population Officers	National	FWCs, Family Welfare Workers (FWWs)	Services, information, advice, awareness creation	General public, couples	Re-training of FWWs, supervisors by training staff, Population Division	Partly ongoing
2. Reproductive Health Programs	District and Teaching Hospitals	National	Hospitals, teams of doctors and nurses trained for surgical contraception	Surgical interventions - sterility treatment abnormal gyn.	Women desiring permanent methods. 1980 - 6,700 1981 - 8,100 1982 - 9,500	Expand training to new teams, by Directorate of Clinical Training (DCT)	Partly ongoing
3. Family Health Manpower Dev Project	Population Division	National	Training facilities of Population Division Training facilities of all participating departments and institutions 12 regional training institutes for LHVs	Training of 25 "master trainers" 130 trainers 2,800 field workers 22,000 volunteers	25 "master trainers" 130 trainers 2,800 field workers 22,000 volunteers	Training of "master trainers" in-country by a group of resource professionals, both national and foreign, training to be organized by Population Division	First organization workshop August 1981 Actual training of 25 "master trainers" will be completed by December 1981
4. Development of Communication Strategy	Part of the "Core Program" as a unified IEC component; details yet to be developed						
II. Punjab Province 1 Department of Health	Prov DOH	Province of Punjab	2,582 health establishments	Services, information, advice, awareness creation	50% of the population is within two-mile radius of clinic, but only 17% ever use health services	1 Completion of master trainers' training by Population Division 2. Provision of equipment and materials to DOH by Population Division	1 January to March 1982 (Curricula preparation and start of training of first batch 2. Probably not earlier than June 1982
2. Social Security Institution (SSI)	SSI	Province of Punjab	120 medical units	As above	Unknown	As above	As above
3. Social Welfare Department (SWD)	SWD	Province of Punjab	3,000 social welfare workers in 225 social welfare organizations	Awareness creation, advice and information to volunteers of NGOs	120,000 volunteers	Completion of SWDs population training by master trainers	March 1982 first batch
4. Department of Agriculture (DOA)	DOA	Province of Punjab	3,500 field assistants, agricultural fairs; publications	Awareness creation, information dissemination	Farmers	Completion of DOA's population trainers' training by master trainers	June 1982 first batch
5. Local Councils	Zila Councils Municipal Committees, Municipal Corporation Town Committees	Province of Punjab	A portion of 1,200 health institutions 4,500 adult education centers	Services, information, advice, awareness creation Information dissemination	Couples Adult attending classes	1. Contacts and agreements with local councils by district population officers 2. Appointment of responsible resource person in local councils	1 Partly ongoing 2 December 1981
III. Sind Province 1. Department of Health (DOH)	DOH	Province of Sind	1,500 medical and paramedical institutions	Services, information, advice, awareness creation	55% of the population is within two-mile radius of clinic, but only 24% ever use health services	1. Completion of master trainers' training by Population Division 2 Provision of equipment and materials to DOH by Population Division	December 1981 Probably not earlier than June 1982
2 Local councils in large towns or villages	Population committees	Province of Sind	Local government employees, population/f.p. to be added to 200 courses	Information, awareness creation	Unknown	1 Contacts and agreements with local councils by district population officers 2 Appointment of responsible resource person in local councils	Partly ongoing December 1981
3. Police Force	Police force	Province of Sind	Police training institutions Seven police health centers	Services, information, advice, awareness creation	30,000 police employees	1 Completion of master trainers' training by Population Division 2. Curricula preparation	Feb - March 1982 first batch of police employees could start training
4. Labor Sector	Labor Department	Province of Sind	Clinics of SSI	Services, information, advice, contraceptive distribution	174,000 workers	Completion of SSI master trainers' training by Population Division	Feb 1982 first batch of SSI staff could start training

PAKISTAN: POPULATION PLAN 1980-83 - SUMMARY AND TENTATIVE ASSESSMENT OF CRITICAL ACTIONS FOR IMPLEMENTATION

Component or Project Name	Implementing Agency	Geographic Coverage	Facilities and/or Personnel to be Used	Type of Activity in Population/Family Planning	Target Population or Audience	Critical Action(s) to enable Implementation	Implementation, When
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(3)
IV. North West Frontier Province							
1. Department of Health (DOH)	DOH	NWFP	1,309 health facilities	Services, information, advice	49% of the population is within two-mile radius of clinic, but only 22% ever use health services	1 Completion of master trainers' training by Population Div 2. Provision of equipment and materials to DOH by Population Division	1 Dec 1981 2. Probably not earlier than June 1982
2. Social Welfare, Education Sectors	DOSW, DOE	NWFP	Social workers, teachers, through in-service training	Awareness creation	Unknown	Completion of SWDs population training by master trainers	March 1982 first batch
3. Labor Sector	Labor Department (LD)	NWFP	14 factories	Awareness creation	44,000 workers	Completion of LDs master trainers' training	Feb 1982
4. Rural Development	Rural Development Department	NWFP	1,374 village organizations 436 union councils	Awareness creation	51,647 membership	1 Agreements with village organizations 2. Training of organizations' resource personnel	1 District population officers could start this in July Aug 1981 2 January 1982
V. Province of Baluchistan							
1 Department of Health (DOH)	DOH	Province of Baluchistan	Camp approach services through itinerant teams	MCH/Gynecological, surgical contraception	Unknown	1 Completion of master trainers' training by Population Div 2 Provision of equipment and materials to DOH by Population Division	1 Dec 1981 2 Probably not earlier than June 1982
2 Social Welfare	Department of Social Welfare	Province of Baluchistan	83 existing projects in rural areas will add MCH, health, nutrition and f.p.	MCH/nutrition f.p., curative services	Unknown	Completion of SWDs population training by master trainers	March 1982 first batch
3 Labor Sector	Labor Department	Province of Baluchistan	Mine clinics	Services	9,000 mine workers	Completion of LDs master trainers' training	February 1982
VI. Other Projects - Federally Implemented							
1. Women and Population Development	Women's Division	National	Introduce population/f.p. in eight programs for women	Information, awareness creation, education	Women	1. Availability of substantial funds 2 Completion of master trainers' training	1 Probably not earlier than July 1982 2 December 1981
2. Youth and Population Development	Population Div. Youth Wing (to be created) University's Grant Commission	National	Development of course outlines for population education in colleges and universities	Awareness creation, education	15,000 graduates and post-graduate students Annual training of 100 coordinators and 500 student facilitators	1. Availability of substantial funds 2. Establishment of Youth Wing in Population Div.	January 1983
3. National Population Education	Ministry of Education National Bureau of Curricula and Text-books Provincial Departments of Education	National Provincial	Further review and revision of primary and secondary curricula and textbooks to include family life education Training of teachers Preparation of guidelines	Awareness creation, education	Primary and secondary school children Teachers Adults in literacy programs Parents through school associations	Availability of substantial funding for expansion	Ongoing satisfactorily since 1974 Expansion July 1982
4. Non-Governmental Organization (NGO) Population Development	NGOs including Family Planning Association of Pakistan (FPAP)	National	Nine specific projects to be run by private family planning association (model type) research of innovative approaches	Services, information, awareness creation, education	Services through private physicians Training programs Development projects for communities	1. Availability of substantial funding 2 Recruitment and training of additional staff by NGOs	1. July - Dec 1982 2 July 1982
5 Infrastructure Institutions and Population Welfare	Population Division Infrastructure Institutions	National	Involve postal, railway, WAPDA employees	Information, awareness creation sale of contraceptives promotional materials	Members of infrastructure institutions	1 Availability of substantial funds 2. Availability of trained personnel in Population Div to develop these projects	January 1982
6. Commercial Distribution of Contraceptives	Commercial Marketing Bureau* Population Division	National	To be developed	To be developed			

* Not existing, proposed under the Plan

STATISTICAL APPENDIX

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Table 1.1: MID-YEAR POPULATION ESTIMATES, 1961-76 [/a]
AND PROJECTIONS FOR 1977-80

Year	Population [/b] (thousands)
1961	46,921
1962	48,276
1963	49,670
1964	51,104
1965	52,579
1966	54,095
1967	55,654
1968	57,258
1969	58,909
1970	60,607
1971	62,425
1972	64,298
1973	66,227
1974	68,214
1975	70,260
1976	72,368
1977	74,539
1978	76,775
1979	79,078
1980	81,500

/a All estimates refer to July 1 of each year.

/b The estimates are based on the population projections adopted by the Planning and Development Division for the Fourth and Fifth Five-Year Plans, which were adjusted for under-enumeration in the 1961 census. The estimates for the individual years have been computed using the following growth rates: 1960-65: 2.8875%; 1965-70: 2.8826%; 1970-80: 3.00%.

Note: The figures in Tables 1.1 to 1.3 are current official figures. However, they are being revised. The Demography and Manpower Section of the Planning and Development Division has commissioned the PIDE to reassess these figures. No firm date has been given for the completion of the project.

Source: Ministry of Finance and Economic Affairs.

Table 1.2: PROVINCIAL AND TOTAL POPULATION ESTIMATES, 1965-80[/a]

(thousands)

Year	Baluchistan	N.W.F.P.	Punjab[/b]	Sind	Total Pakistan[/c]
1965	1,928	8,636	30,039	11,233	51,836
1966	1,984	8,885	30,906	11,557	53,332
1967	2,041	9,141	31,797	11,890	54,869
1968	2,100	9,405	32,713	12,232	56,450
1969	2,161	9,676	33,656	12,585	58,078
1970	2,223	9,955	34,626	12,948	59,792
1971	2,288	10,248	35,644	13,329	61,509
1972	2,357	10,555	36,714	13,729	63,355
1973	2,427	10,871	37,816	14,141	65,255
1974	2,500	11,198	38,950	14,565	67,213
1975	2,575	11,534	40,118	15,002	69,229
1976	2,653	11,879	41,322	15,452	71,306
1977	2,732	12,236	42,561	15,916	73,445
1978	2,814	12,603	43,839	16,393	75,649
1979	2,899	12,981	45,153	16,885	77,918
1980	2,986	13,370	46,508	17,391	80,255

/a As of January 1.
/b Population of federal capital, Islamabad, has been included in the Province of the Punjab.
/c Total population based on estimates calculated by the Working Group on population projections. Provincial breakdown estimated on the basis of 1972 distribution.

Source: Ministry of Finance and Economic Affairs.

Table 1.3: DISTRIBUTION OF POPULATION BY RURAL AND URBAN AREAS, 1961-80/a

(thousands)

Year	Total	Urban/a		Rural	
		Number	%	Number	%
1961/b	42,880	9,655	22.5	33,225	77.5
1961/c	46,258	10,415	22.5	35,843	77.5
1965	51,836	12,173	23.5	39,663	76.5
1966	53,332	12,657	23.7	40,675	76.3
1967	54,869	13,160	24.0	41,709	76.0
1968	66,452	13,685	24.2	42,767	75.8
1969	58,078	14,227	24.5	43,851	75.5
1970	59,752	14,793	24.8	44,959	75.2
1971	61,509	15,381	25.0	46,128	75.0
1972/a	63,355	15,992	25.2	47,363	74.8
1972/b	65,309	16,593	25.4	48,716	74.6
1973	65,255	16,628	25.5	48,627	74.5
1974	67,213	17,289	25.7	49,924	74.3
1975	69,229	17,976	26.0	51,253	74.0
1976	71,306	18,691	26.2	52,615	73.8
1977	73,445	19,434	26.5	54,011	73.5
1978	75,620	20,206	26.7	55,414	73.3
1979	77,918	21,009	27.0	56,909	73.0
1980	80,255	21,910	27.3	58,345	72.7

/a Urban population has been estimated for inter-censal years and projected beyond 1972 census period on the basis of inter-censal growth of urban population between 1961 (after accounting for under-enumeration of 7.5%) and 1972 censuses (which gave an annual geometric growth rate of 3.9755%). Estimates are as of January 1.

/b Census figures.

/c Adjusted for under-enumeration.

Source: Ministry of Finance and Economic Affairs.

Table 1.4: DISTRIBUTION OF EMPLOYED LABOR FORCE BY MAJOR INDUSTRY AND BY RURAL AND URBAN AREAS, 1970/71-1974/75

(percent)

Industry	1970/71 Total	1970/71 Urban	1970/71 Rural	1971/72 Total	1971/72 Urban	1971/72 Rural	1974/75 Total	1974/75 Urban	1974/75 Total
Agriculture, hunting, forestry and fishing	57.58	7.08	71.76	57.32	6.54	70.61	54.80	6.20	72.08
Mining and quarrying	0.26	0.16	0.29	0.45	1.07	0.28	0.15	0.19	0.13
Manufacturing	14.99	28.93	11.07	12.47	25.79	8.98	13.63	25.74	9.32
Construction	3.60	6.50	2.78	3.41	5.85	2.77	4.20	6.41	3.41
Electricity, gas and water	0.25	0.96	0.05	0.37	1.16	0.16	0.49	1.23	0.23
Commerce	10.88	27.43	6.24	9.89	26.56	5.53	11.09	25.93	5.81
Transport, storage and communications	4.88	9.89	3.47	4.84	10.20	3.44	4.87	10.30	2.94
Financial institutions and insurance/a	-	-	-	0.86	2.92	0.32	0.67	2.31	0.09
Services	7.38	18.68	4.22	7.27	19.05	4.19	9.78	21.26	5.70
Activities not adequately described	0.18	0.37	0.12	3.12	0.86	3.72	0.32	0.43	0.29
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

/a 1970/71 included in services.

Note: Data from 1971/72 onwards not strictly comparable with those for previous years, due to the use of the revised industrial classification.

Source: Ministry of Finance and Economic Affairs.

Table 1.5: DISTRIBUTION OF EMPLOYED LABOR FORCE BY MAJOR OCCUPATIONAL GROUPS, 1970/71-1974/75

(percent)

	1970/71			1971/72			1974/75		
	Total	Urban	Rural	Total	Urban	Total	Total	Urban	Rural
Professional and technical	1.96	4.37	1.28	2.09	5.24	1.27	3.00	6.30	1.84
Administrative, executive and managerial	0.48	2.02	0.04	0.51	2.14	0.09	0.71	2.44	0.09
Clerical	2.00	6.74	0.67	2.30	8.53	0.67	2.69	8.15	0.74
Salesmen	10.29	25.63	5.98	12.05	24.77	8.72	9.98	23.10	5.32
Farmers, fishermen, hunters, loggers and related	57.46	6.88	71.66	57.22	6.65	70.44	54.70	6.28	71.92
Miners, quarrymen and related	0.08	0.06	0.09	-	-	-	-	-	-
Workers in transport, storage and communications	2.77	5.32	2.05	/a	/a	/a	/a	/a	/a
Craftsmen, production process workers and laborers, n.e.c.	20.91	39.36	15.74	22.12	43.96	16.41	24.32	44.67	17.08
Service, sports and recreation workers	4.05	9.61	2.49	3.71	8.71	2.40	4.48	8.86	2.92
Workers not classified by occupation	-	0.01	-	-	-	-	0.12	0.20	0.09
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

/a Included in craftsmen, production process workers and laborers.

Note: Data from 1971/72 onwards not strictly comparable with those for previous years, due to the use of the revised industrial classification.

Source: Ministry of Finance and Economic Affairs.

Table 1.6: ECONOMICALLY ACTIVE POPULATION BY MAJOR INDUSTRY, 1966/67-1979/80/a

(thousands)

	1966/67/b	1969/70	1974/75/c	1975/76	1976/77	1977/78	1978/79	1979/80
Agriculture, hunting, forestry and fishing	9,593	10,134	11,002	11,332	11,672	12,022	12,383	12,754
Mining and quarrying	27	21	30	31	32	33	34	35
Manufacturing	2,924	2,745	2,736	2,818	2,903	2,990	3,080	3,172
Construction	690	698	843	868	894	921	949	977
Electricity, gas and water	72	73	96	100	104	107	110	114
Commerce	2,028	1,758	2,227	2,295	2,362	2,433	2,505	2,581
Transport, storage and communications	971	841	978	1,005	1,037	1,068	1,100	1,133
Financial institutions and insurance	-	-	135	139	142	147	151	156
Services	1,688	1,457	1,964	2,024	2,083	2,146	2,209	2,276
Activities not adequately described	36	43	66	67	70	71	75	75
Unemployed	368	359	346	356	367	378	390	402
Total	18,343	18,129	20,423	21,035	21,666	22,316	22,986	23,675

/a Estimates are based on population as of January 1 of each year.

/b The labor participation is under-reported, particularly in the case of females who are usually shown as "keeping house," and therefore, excluded. Some adjustments were therefore made for the year 1966/67.

/c Data from 1971/72 onwards not strictly comparable with those of previous years, due to the use of the revised industrial classification.

Source: Ministry of Finance and Economic Affairs,

Table 2.1: GROSS DOMESTIC PRODUCT AT CURRENT FACTOR COST, 1969/70-1979/80

(million rupees)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Agriculture	15,964	16,236	17,934	21,907	28,084	33,533	38,338	43,686	49,370	56,370	66,272
Major crops	9,103	8,832	10,067	12,346	15,331	18,268	20,572	22,484	26,827	30,958	35,509
Minor crops	1,999	2,244	2,408	2,833	3,777	5,003	6,030	6,963	7,689	8,218	9,457
Livestock	4,547	4,794	5,053	6,169	8,247	9,629	11,130	13,395	13,741	15,970	19,786
Fishing	233	261	295	379	476	383	447	552	702	779	1,034
Forestry	82	105	111	180	253	250	159	292	411	445	486
Mining and quarrying	229	243	268	386	560	793	968	1,196	1,222	1,459	1,887
Manufacturing	6,963	7,570	7,773	9,695	12,751	17,479	20,054	22,234	25,278	27,870	33,782
Large scale	5,427	5,822	5,777	7,282	9,583	12,844	14,438	15,579	17,842	19,474	23,679
Small scale	1,536	1,748	1,996	2,413	3,168	4,635	5,616	6,655	7,436	8,396	10,103
Construction	1,822	1,979	1,763	2,298	3,114	4,996	6,739	7,376	8,316	9,544	11,813
Electricity, gas, and water	661	782	823	955	1,217	1,264	1,713	1,916	2,451	2,806	4,789
Transport, storage and communications	2,943	3,014	3,250	4,261	5,587	7,404	8,338	9,252	11,182	13,114	15,050
Commerce	6,475	6,806	7,138	8,582	13,346	16,166	18,321	19,769	22,796	26,179	30,429
Financial institutions and insurance	771	882	968	1,408	1,801	2,612	3,021	3,571	4,222	5,112	5,909
Ownership of dwellings	1,614	1,752	1,913	2,237	2,868	3,766	4,346	4,931	5,460	6,082	7,000
Public administration and defense	2,769	2,963	3,445	4,430	5,750	8,113	9,490	10,371	13,044	14,012	15,964
Services	3,134	3,475	3,894	4,636	6,363	8,514	10,085	11,382	13,221	15,114	17,709
GDP at factor cost	43,345	45,702	49,169	60,795	80,441	104,640	121,423	135,686	156,562	177,662	210,604
Indirect taxes less subsidies	4,404	4,785	4,889	6,078	6,412	7,626	10,628	13,766	16,494	15,392	21,595
GDP at market prices	47,749	50,487	54,058	66,873	86,853	112,266	132,051	149,452	173,056	193,054	232,199

/a Provisional.

Source: Ministry of Finance and Economic Affairs.

Table 2.2: GROSS DOMESTIC PRODUCT AT CONSTANT FACTOR COST, 1969/70-1979/80

(million 1959/60 rupees)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Agriculture	12,574	12,188	12,611	12,821	13,357	13,074	13,659	13,998	14,348	14,948	15,851
Major crops	7,553	7,045	7,336	7,473	7,844	7,455	7,833	7,944	8,110	8,532	9,177
Minor Crops	1,363	1,418	1,507	1,478	1,585	1,679	1,839	1,920	1,966	2,013	2,123
Livestock	3,440	3,509	3,579	3,651	3,724	3,799	3,875	3,993	4,114	4,239	4,368
Fishing	170	155	125	128	115	82	86	96	100	104	121
Forestry	48	61	64	91	89	59	26	45	58	60	62
Mining and quarrying	157	156	159	161	180	181	175	206	210	217	239
Manufacturing	5,186	5,318	5,130	5,678	6,101	6,136	6,231	6,258	6,833	7,160	7,741
Large scale	4,042	4,090	3,813	4,265	4,585	4,509	4,486	4,385	4,823	5,003	5,426
Small scale	1,144	1,228	1,317	1,413	1,516	1,627	1,745	1,875	2,010	2,157	2,315
Construction	1,357	1,390	1,163	1,346	1,490	1,754	2,094	2,076	2,248	2,452	2,707
Electricity, gas and water	639	741	780	903	1,068	949	985	1,143	1,245	1,346	1,531
Transport, storage and communications	2,026	1,979	2,025	2,355	2,466	2,575	2,605	2,649	3,003	3,265	3,401
Commerce	4,457	4,469	4,447	4,743	5,449	5,622	5,724	5,660	6,121	6,518	6,876
Financial institutions and insurance	579	635	640	826	879	1,006	1,039	1,124	1,241	1,390	1,450
Ownership of dwellings	1,112	1,149	1,188	1,231	1,275	1,321	1,369	1,418	1,469	1,522	1,577
Public administration and defense	2,080	2,133	2,278	2,599	2,983	3,972	3,854	4,135	4,593	4,934	5,105
Services	2,169	2,276	2,391	2,516	2,653	2,803	2,964	3,060	3,319	3,510	3,711
GDP at factor cost	32,336	32,434	32,812	35,179	37,901	39,393	40,699	41,727	44,630	47,262	50,189
Indirect taxes less subsidies	3,331	3,484	3,252	3,381	2,799	2,640	3,302	3,856	4,348	3,791	4,875
GDP at market prices	35,667	35,918	36,064	38,560	40,700	42,033	44,001	45,583	48,975	51,053	55,064

/a Provisional.

Source: Ministry of Finance and Economic Affairs.

Table 2.3: SECTORAL GROWTH RATES AT CONSTANT 1959/60 FACTOR COST, 1960/61-1979/80

(annual percent rate)

	Average Annual Growth Rate							
	Second Plan/a	Third Plan /a	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71
Agriculture	3.79	6.35	0.45	5.48	11.73	4.52	9.55	-3.07
Mining and quarrying	11.84	5.26	9.02	-	3.01	2.92	11.35	0.64
Manufacturing	11.74	8.11	8.59	5.66	6.27	8.63	11.31	2.55
Construction	20.74	6.20	4.86	-3.71	-0.19	27.00	3.04	2.43
Electricity, gas and water	14.91	38.89	14.53	5.08	8.21	12.05	154.58	15.96
Transport, storage and communications	11.48	5.00	6.30	4.32	5.39	5.87	3.10	-2.32
Commerce	8.51	7.11	8.65	5.26	3.67	7.09	10.87	0.27
Financial institutions and insurance	15.38	12.65	10.94	12.68	11.75	8.50	19.38	9.67
Ownership of dwellings	3.12	2.64	3.07	3.28	2.69	3.00	1.18	3.33
Public administration and defense	7.10	9.63	56.52	-14.44	-2.55	5.02	3.59	2.55
Services	4.18	4.61	3.98	4.28	4.05	3.94	6.79	4.93
GDP at factor cost	6.79	6.75	7.95	2.72	6.79	6.49	9.78	0.30

	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Agriculture	3.47	1.67	4.18	-2.12	4.47	2.48	2.50	4.18	6.04
Mining and quarrying	1.92	1.26	11.80	0.56	-3.31	17.71	1.94	3.33	10.14
Manufacturing	-3.55	10.68	7.45	0.57	1.55	0.43	9.19	4.79	8.11
Construction	-16.33	15.74	10.70	17.72	19.38	-0.86	8.29	9.07	10.40
Electricity, gas and water	5.26	15.77	18.27	-11.14	3.79	16.04	8.92	8.11	13.74
Transport, storage and communications	2.32	16.30	4.71	4.42	1.16	1.69	13.36	8.72	4.16
Commerce	-0.49	6.66	14.89	3.17	1.81	-1.12	8.14	6.49	5.49
Financial institutions and insurance	0.79	29.06	6.42	14.44	3.28	8.18	10.41	12.01	4.32
Ownership of dwellings	3.39	3.62	3.57	3.61	3.63	3.58	3.60	3.60	3.60
Public administration and defense	6.80	14.09	14.77	33.15	-2.97	7.29	11.08	7.42	3.47
Services	5.05	5.23	5.45	5.65	5.74	3.24	8.46	5.76	5.73
GDP at factor cost	1.65	7.21	7.74	3.94	3.32	2.53	6.96	5.90	6.19

/a Second Plan 1960/61-1964/65; Third Plan 1965/66-1969/70.
/b Provisional.

Source: Ministry of Finance and Economic Affairs.

Table 2.4: GROSS DOMESTIC EXPENDITURE AT CURRENT MARKET PRICES, 1969/70-1979/80

(million rupees)

Bank Staff Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Available Resources	51,009	53,993	56,723	68,765	93,060	125,131	143,483	164,034	189,351	216,570	259,038
Consumption	43,468	46,101	49,060	60,118	81,446	106,913	120,713	136,613	159,375	182,349	217,850
Private	(38,622)	(40,831)	(42,582)	(52,394)	(72,907)	(94,963)	(106,370)	(120,797)	(141,398)	(160,726)	(192,736)
Public	(4,846)	(5,270)	(6,478)	(7,724)	(8,539)	(11,950)	(14,343)	(15,816)	(17,977)	(21,623)	(25,114)
Gross Domestic Investment	7,540	7,892	7,663	8,647	11,614	18,218	22,770	27,421	29,976	34,221	41,188
Gross fixed investment	6,834	7,045	6,813	7,647	10,614	16,218	22,770	26,421	28,976	32,471	39,188
Private	(3,493)	(3,531)	(3,546)	(3,727)	(3,840)	(5,208)	(6,484)	(7,780)	(8,763)	(9,618)	(12,088)
Public	(3,341)	(3,514)	(3,267)	(3,920)	(6,774)	(11,010)	(16,286)	(18,641)	(20,213)	(22,853)	(27,100)
Changes in stocks	706	847	850	1,000	1,000	2,000	-	1,000	1,000	1,750	2,000
External Resource Balance/b	-3,206	-3,506	-2,665	-1,892	-6,207	-12,865	-11,432	-14,582	-16,295	-23,516	-26,839
Exports (G. & N.F.S.)	(3,709)	(4,000)	(4,001)	(8,934)	(11,900)	(12,390)	(14,179)	(13,899)	(16,345)	(20,884)	(29,730)
Imports (G. & N.F.S.)	(6,969)	(7,506)	(6,666)	(10,826)	(18,107)	(25,255)	(25,610)	(28,482)	(32,640)	(44,400)	(56,569)
GDP at Market Prices	47,749	50,487	54,058	66,873	86,853	112,266	132,051	149,452	173,056	193,054	232,199
Net factor income to/ from abroad/b	3	-82	99	594	772	1,296	2,059	4,168	10,346	12,510	15,751
GNP at Market Prices	47,752	50,405	54,157	67,467	87,625	113,562	134,110	153,620	183,402	205,564	247,950

/a Provisional.
/b Derived from balance of payments.

GROSS DOMESTIC EXPENDITURE AT CURRENT MARKET PRICES, 1969/70-1979/80

(million rupees)

Planning and Development Division's Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Available Resources	51,009	53,993	56,723	68,765	92,901	124,973	144,428	165,339	191,156	217,244	261,042
Consumption	43,469	46,101	49,060	60,118	81,287	106,755	121,658	137,918	161,180	183,023	219,854
Private	38,623	40,831	42,582	52,394	72,748	94,805	107,315	122,102	143,203	161,400	194,740
Public	4,846	5,270	6,478	7,724	8,539	11,950	14,343	15,816	17,977	21,623	25,114
Gross Domestic Investment	7,540	7,892	7,663	8,647	11,614	18,218	22,770	27,421	29,976	34,221	41,188
Gross fixed investment	6,834	7,045	6,813	7,647	10,614	16,218	22,770	26,421	28,976	32,471	39,188
Private	3,493	3,531	3,546	3,726	3,840	5,208	6,484	7,780	8,763	9,618	12,088
Public	3,341	3,514	3,267	3,921	6,774	11,010	16,286	18,641	20,213	22,853	27,100
Changes in stocks	706	847	850	1,000	1,000	2,000	-	1,000	1,000	1,750	2,000
External Resource Balance	-3,260	-3,506	-2,665	-1,892	-6,048	-12,707	-12,377	-15,887	-18,100	-24,190	-28,843
Exports (G. & N.F.S.)	3,709	4,000	4,001	8,934	11,910	12,207	14,167	13,900	16,334	20,877	29,730
Imports (G. & N.F.S.)/b	6,969	7,506	6,666	10,826	17,958	24,914	26,544	29,787	34,434	45,067	58,573
GDP at Market Prices	47,749	50,487	54,058	66,873	86,853	112,266	132,051	149,452	173,056	193,054	232,199
Net factor income to/ from abroad	3	-82	99	463	617	1,147	2,992	5,480	12,139	13,922	17,013
GNP at Market Prices	47,752	50,405	54,157	67,336	87,470	113,413	135,043	154,932	185,195	206,976	249,212

/a Provisional.
/b Includes the imputed value of personal baggage items - 1975/76 Rs 1,120 million; 1976/77 Rs 1,980 million; 1977/78 Rs 1,822 million; 1978/79 Rs 1,418 million; and 1979/80 Rs 1,876 million.

Note: Government estimates of external resource balance are not consistent with balance of payments data shown in Table 3.1. While Bank staff estimates of external balance are based on Table 3.1, they also exclude unrequited government transfers in arriving at the external deficit.

Table 2.5: GROSS DOMESTIC EXPENDITURE AT CONSTANT MARKET PRICES, 1969/70-1979/80

(million 1969/70 rupees)

Bank Staff Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Available Resources	51,009	50,512	49,558	52,397	56,236	57,498	60,131	63,345	67,143	71,794	76,725
Consumption	43,468	43,238	43,819	48,274	51,474	51,801	53,655	56,551	60,707	64,730	69,509
Private	38,622	38,265	37,978	42,065	46,198	45,928	47,290	50,166	53,812	57,142	61,550
Public	4,846	4,973	5,841	6,209	5,276	5,873	6,365	6,385	6,895	7,588	7,959
Gross Domestic Investment	7,541	7,274	5,739	4,123	4,762	5,697	6,476	6,794	6,436	7,064	7,216
Gross fixed investment	6,834	6,446	4,974	3,346	4,177	4,750	6,476	6,402	6,068	6,460	6,584
Private	(3,493)	(3,231)	(2,589)	(1,631)	(1,511)	(1,525)	(1,844)	(1,885)	(1,835)	(1,913)	(2,031)
Public	(3,341)	(3,215)	(2,385)	(1,715)	(2,666)	(3,225)	(4,632)	(4,517)	(4,233)	(4,546)	(4,553)
Changes in stocks	707	798	765	777	585	947	-	392	368	604	632
External Resource Balance/b	-3,260	-2,529	-1,177	-519	-1,678	-1,086	-944	-2,020	[illegible]	-3,128	-2,629
Exports (G. & N.F S)	3,709	3,742	3,099	3,277	2,711	3,024	3,452	2,845	[illegible]	3,640	4,415
Imports (G & N.F S)	6,969	6,271	4,276	3,796	4,389	4,110	4,396	4,865	5,197	6,768	7,044
GDP at Market Prices	47,749	47,983	48,381	51,878	54,558	56,412	59,187	61,325	65,164	68,666	74,096
Net factor income to/from abroad	3	-69	64	208	187	211	353	712	1,647	1,907	1,961
GNP at Market Prices	47,752	47,914	48,445	52,086	54,745	56,623	59,540	62,037	66,811	70,573	76,057

/a Provisional
/b Derived from balance of payments.

GROSS DOMESTIC EXPENDITURE AT CONSTANT MARKET PRICES, 1969/70-1979/80

(million 1969/70 rupees)

Planning and Development Division's Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Available Resources	51,009	50,512	49,558	52,397	62,236	57,498	60,131	63,345	67,435	71,902	76,982
Consumption	43,469	42,959	42,415	44,996	49,193	49,652	52,138	54,833	58,586	62,324	67,006
Private	38,623	37,986	36,574	38,787	43,917	43,779	45,773	48,448	51,691	54,736	58,996
Public	4,846	4,973	5,841	6,209	5,276	5,873	6,365	6,385	6,895	7,588	8,010
Gross Domestic Investment	7,540	7,553	7,143	7,401	7,043	7,846	7,993	8,512	8,849	9,578	9,976
Gross fixed investment	6,834	6,755	6,378	6,624	6,458	6,899	7,993	8,120	8,481	8,974	9,344
Private	(3,493)	(3,386)	(3,320)	(3,227)	(2,337)	(2,218)	(2,276)	(2,391)	(2,565)	(2,658)	(2,882)
Public	(3,341)	(3,369)	(3,058)	(3,397)	(4,121)	(4,683)	(5,717)	(5,729)	(5,916)	(6,316)	(6,462)
Changes in stocks	706	798	765	777	585	947	-	392	368	604	632
External Resource Balance	-3,260	-2,529	-1,177	-519	-1,678	-1,086	-944	-2,020	-2,271	-3,236	-2,886
Exports (G & N.F S.)	3,709	3,742	3,099	3,277	2,711	3,024	3,452	2,845	3,212	3,635	4,408
Imports (G. & N.F.S.)	6,969	6,271	4,276	3,796	4,389	4,110	4,396	4,865	5,483	6,871	7,294
GDP at Market Prices	47,749	47,983	48,381	51,878	54,558	56,412	59,187	61,325	65,164	68,666	74,096
Net factor income to/from abroad	3	-69	64	208	187	211	353	712	1,933	2,123	2,119
GNP at Market Prices	47,752	47,914	48,445	52,086	54,745	56,623	59,540	62,037	67,097	70,789	76,215

/a Provisional.

Note. Bank staff estimates shown in Table 2.5 differ somewhat from the Planning and Development Division's constant (1969/70) price estimates. These differences arise partly from the differences in the current price estimates shown in Table 2 4 and partly from the different deflators being used, particularly for fixed investment For instance, the Planning and Development Division's investment deflator for most years rises less rapidly than the consumer price index, and much less rapidly than the Bank staff investment deflator, which is a weighted average of import price of machinery and transport equipment, and export price of machinery and transport equipment as a proxy for domestically produced elements, and domestic price of cement. Thus, the Planning and Development Divison's estimates show substantially higher levels of real investment as well as different levels of private consumption compared to Bank staff estimates

Table 2.6: GROSS DOMESTIC EXPENDITURE DEFLATORS, 1969/70-1979/80

(1969/70=100)

Bank Staff Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Consumption											
Private	100.0	106.7	112.1	124.6	157.8	206.8	224.9	240.8	262.8	281.3	313.1
Public	100.0	106.0	110.9	124.4	161.8	203.5	225.3	247.7	260.7	285.0	315.5
Gross fixed investment	100.0	109.3	137.0	228.5	254.1	341.4	351.6	412.7	477.5	502.6	595.2
Changes in stocks	100.0	106.1	111.1	128.7	170.9	211.2	229.4	255.1	271.7	289.7	316.5
Exports (G. & N.F.S.)	100.0	106.9	129.1	272.6	439.0	409.7	410.7	488.5	507.9	573.7	673.4
Imports (G. & N.F.S.)	100.0	119.7	155.9	285.2	412.6	614.5	582.6	585.4	628.1	656.0	803.1
GDP at market prices	100.0	105.2	111.7	128.9	159.2	199.0	223.1	243.7	265.6	281.1	313.4
Net factor income to/ from abroad	100.0	118.8	154.7	285.6	412.8	614.2	583.3	585.4	628.2	656.0	803.2
GNP at market prices	100.0	105.2	111.8	129.5	160.1	200.6	225.2	247.6	274.5	291.3	326.0

/a Provisional.

Sources: Tables 2.4 and 2.5.

Table 2.7: GROSS DOMESTIC AND NATIONAL SAVINGS AT CURRENT PRICES, 1969/70-1979/80

(million rupees)

Bank Staff Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
GNP at Market Prices	47,752	50,405	54,157	67,467	87,625	113,562	134,110	153,620	183,402	205,564	247,950
GDP at Market Prices	47,749	50,487	54,058	66,873	86,853	112,266	132,051	149,452	173,056	193,054	232,199
Consumption	43,468	46,101	49,060	60,118	81,446	106,913	20,713	136,613	159,375	182,349	217,850
Gross Domestic Savings	4,281	4,386	4,998	6,755	5,407	5,353	11,338	12,839	13,681	10,705	14,349
Net factor income to/from abroad	3	-82	99	594	772	1,296	2,059	4,168	10,346	12,510	15,751
Gross National Savings	4,284	4,304	5,097	7,349	6,179	6,649	13,397	17,007	24,027	23,215	30,100
Public savings	452	375	-189	-314	-131	-639	1,052	3,670	3,185	2,075	6,964
Private savings	3,832	3,929	5,286	7,663	6,310	7,288	12,345	13,337	20,842	21,140	23,136
Gross Domestic Savings Rate/b	9.0	8.7	9.3	10.1	6.3	4.8	8.6	8.6	7.9	5.5	6.2
Gross National Savings Rate/c	9.0	8.5	9.4	10.9	7.1	5.9	10.0	11.1	13.0	11.3	12.1
Public savings rate	1.0	0.7	-0.4	-0.5	-0.2	-0.6	0.8	2.4	1.8	1.0	2.8
Private savings rate	8.0	7.8	9.8	11.4	7.3	6.5	9.3	8.7	11.2	10.3	9.3

/a Provisional.
/b Percent of GDP.
/c Percent of GNP.

Souree: Table 2.4.

GROSS DOMESTIC AND NATIONAL SAVINGS AT CURRENT PRICES, 1969/70-1979/80

(million rupees)

Planning and Development Division's Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
GNP at Market Prices	47,752	50,405	54,157	67,336	87,470	113,413	135,043	154,932	185,195	206,976	249,212
GDP at Market Prices	47,749	50,487	54,058	66,873	86,853	112,266	132,051	149,452	173,056	193,054	232,199
Consumption	43,469	46,101	49,060	60,118	81,287	106,755	121,658	137,918	161,180	183,023	219,854
Gross Domestic Savings	4,280	4,386	4,998	6,755	5,566	5,511	10,393	11,534	11,876	10,031	12,345
Net factor income to/from abroad	3	-82	99	463	617	1,147	2,992	5,480	12,139	13,922	17,013
Gross National Savings	4,283	4,304	5,097	7,218	6,183	6,658	13,385	17,014	24,015	23,953	29,358
Public savings	452	375	-189	-314	-131	-639	1,052	3,670	3,185	2,075	6,964
Private savings	3,831	3,929	5,286	7,532	6,314	7,297	12,333	13,344	20,830	21,878	22,394
Gross Domestic Savings Rate/b	9.0	8.5	9.2	10.1	6.4	4.9	7.9	7.7	6.9	5.2	5.3
Gross National Savings Rate/c	9.0	8.5	9.4	10.7	7.1	5.9	9.9	11.0	13.0	11.6	11.8
Public savings rate	1.0	0.7	-0.3	-0.5	-0.1	-0.6	0.8	2.4	1.8	1.0	2.8
Private savings rate	8.0	7.8	9.7	11.2	7.2	6.4	9.1	8.6	11.2	10.6	9.0

/a Provisional.
/b Percent of GDP.
/c Percent of GNP.

Source: Table 2.4.

Table 2.8: GROSS DOMESTIC AND NATIONAL SAVINGS AT CONSTANT PRICES, 1969/70-1979/80

(million 1969/70 rupees)

Bank Staff Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
GDP at Market Prices	47,749	47,983	48,381	51,878	54,558	56,412	59,187	61,325	65,164	68,666	74,096
Terms of trade effect	-	-400	-533	-144	173	-1,007	-1,018	-472	-615	-455	-711
Gross Domestic Income	47,749	47,583	47,848	51,734	54,731	55,405	58,169	60,853	64,549	68,211	73,385
Consumption	43,468	43,238	43,819	48,274	51,474	51,801	53,655	56,551	60,707	64,730	69,509
Gross Domestic Savings/b	4,281	4,345	4,029	3,460	3,257	3,604	4,514	4,302	3,842	3,481	3,876
Net factor income to/from abroad	3	-69	64	208	187	211	353	712	1,647	1,907	1,961
Gross National Savings	4,284	4,276	4,093	3,668	3,444	3,815	4,867	5,014	5,489	5,388	5,837
GNP at Market Prices	47,752	47,914	48,445	52,086	54,745	56,623	59,540	62,037	66,811	70,573	76,057
Memo Item:											
Terms of Trade Effect	-	-400	-533	-144	173	-1,007	-1,018	-472	-615	-455	-711
Exports as capacity to import	3,709	3,342	2,566	3,133	2,884	2,017	2,434	2,373	2,603	3,185	3,704
Exports at constant prices	3,709	3,742	3,099	3,277	2,711	3,024	3,452	2,845	3,218	3,640	4,415

/a Provisional.
/b Adjusted for the terms of trade.

Source. Table 2.5.

GROSS DOMESTIC AND NATIONAL SAVINGS AT CONSTANT PRICES, 1969/70-1979/80

(million 1969/70 rupees)

Planning and Development Division's Estimates

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
GDP at Market Prices	47,749	47,983	48,381	51,878	54,558	56,412	59,187	61,325	65,164	68,666	74,096
Terms of trade effect	-	-401	-533	-144	173	-1,007	-1,018	-472	-614	-454	-710
Gross Domestic Income	47,749	47,582	47,848	51,734	54,731	55,405	58,169	60,853	64,550	68,212	73,386
Consumption	43,469	42,959	42,415	44,996	49,193	49,652	52,138	54,833	58,586	62,324	67,006
Gross Domestic Savings/b	4,280	4,623	5,433	6,738	5,538	5,753	6,013	6,020	5,964	5,888	6,380
Net factor income to/from abroad	3	-69	64	208	187	211	353	712	1,933	2,123	2,119
Gross National Savings/b	4,283	4,554	5,497	6,946	5,725	5,964	6,384	6,732	7,897	8.011	4,261
GDP at Market Prices	47,752	47,914	48,445	52,086	54,745	56,623	59,540	62,037	67,097	70,789	76,215
Memo Item:											
Terms of Trade Effect	-	-401	-533	-144	173	-1,007	-1,018	-472	-614	-454	-710
Exports as capacity to import	3,709	3,341	2,566	3,133	2,884	2,017	2,434	2,373	2,598	3,181	3,698
Exports at constant prices	3,709	3,742	3,099	3,277	2,711	3,024	3,452	2,845	3,212	3,635	4,408

/a Provisional.
/b Adjusted for the terms of trade.

Source: Table 2.5.

Table 2.9: FIXED CAPITAL FORMATION BY ECONOMIC SECTOR, 1969/70-1979/80

(million rupees)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 /a
Total Fixed Capital Formation	6,834.0	7,045.4	6,814.3	7,646.5	10,613.9	16,217.9	22,770.4	26,421.4	28,976.1	32,471.3	39,186.9
Private	3,493.3	3,531.4	3,545.9	3,726.3	3,840.0	5,207.3	6,483.9	7,779.7	8,763.6	9,618.5	12,087.8
Agriculture	476.1	463.4	535.2	612.1	737.9	845.7	1,348.5	1,600.0	1,946.6	2,072.2	2,462.1
Mining and Quarrying	17.5	18.8	18.0	19.0	22.7	30.2	33.2	36.5	40.1	44.1	48.5
Large-Scale Manufacturing	1,206.2	1,224.0	1,016.3	763.1 /b	697.3 /b	1,990.4 /b	1,309.0 /b	1,526.3	1,539.1	1,637.8	1,822.5
Small-Scale Manufacturing	187.7	201.7	219.1	255.9	325.5	446.5	509.5	585.3	634.4	698.2	788.9
Construction	61.0	4.4	28.1	23.7	26.7	62.3	49.5	119.3	104.9	119.8	144.6
Electricity and Gas	108.3	107.7	71.3	111.8	0.9 /c	1.0 /c	1.5 /c	1.6 /c	2.0	2.0	8.1
Transport and Communication	514.7	518.3	606.9	968.0	999.6	1,016.4	1,070.7	1,167.0	1,227.3	1,396.2	2,070.0
Financial Institutions and Banking Insurance	51.2	52.0	33.2	34.5	9.8 /d	5.6 /d	7.2 /d	13.8 /d	13.4	16.4	19.1
Ownership of Dwellings	502.3	555.6	603.9	493.8	500.3	1,136.4	1,341.2	1,709.0	2,034.6	2,272.9	3,022.2
Services	366.0	385.5	413.9	444.4	519.3	673.3	813.2	1,020.9	1,221 2	1,358.9	1,711.8
Public	3,304.1	3,514.0	3,267.4	3,920.2	6,773.9	11,010.1	16,286.5	18,641.7	20,212.5	22,852.8	27,099.1
Government Enterprises	314.8	353.8	262.0	355.3	397.5	915.9	911.9	1,122.0	1,083.2	1,240.7	1,202.7
Railway	219.2	233.1	114.2	106.9	111.7	602.0	645.0	643.4	655.1	820.0	833.0
Post Office, Telephone and Telegraph	95.6	120.7	147.8	248.8	285.8	313.9	266.9	478.6	428 1	420.7	369.7
Semi-Public Organizations	1,962.4	2,218.0	2,089.4	1,979.9	3,692.6	6,311.0	10,467.4	11,515.3	13,471.4	14,598.1	18,131 8
Indus Basin	1,024.8	983.3	981.2	719.4	728.6	1,043.2	1,477.2	581.3	855.0	413.2	612.1
Mining and Quarrying	8.3	7.4	10.5	33.0	14.6	59.6	37.4	295.2	335.8	158.6	171.5
Large-Scale Manufacturing	177.1	67.7	96.9	109.9	375.4	1,056.6	3,159.5	4,487.8	6,133.3	6,625.5	6,309.0
Small-Scale Manufacturing	2.1	0.5	1.6	0.7	6.8	8.3	22.1	26.2	10.2	21.2	6.5
Electricity and Gas	155.8	575.1	410.1	383.2	704.5	2,419.1	3,184.7	2,519.5	2,777 8	3,026 4	3,267.6
Financial Institutions and Banking Insurance	8.0	5.3	10.3	13.5	59.4	81.1	110.4	160.7	202.1	198.6	271.5
Rural Works Program	99.2	40.3	39.1	139.6	140.4	142.2	160.7	98.8	73.4	148.6	149.9
Others	487.1	536.4	539.7	500.6	1,662.8	1,500.9	2,315.4	3,345.8	3,083.8	4,000.1	7,344.1
General Government	1,063.5	942.2	917.0	1,585.0	2,683.8	3,783.2	4,907.2	6,004.4	5,657.9	7,014.0	7,764.6
Federal	352.0	299.5	352.3	571.5	1,021.7	1,417.7	1,816.3	2,420.9	2,311.1	3,121.4	3,432.9
Provincial	559.9	487.3	373.4	812.7	1,407.5	1,952.0	2,632.6	3,010.9	2,894.9	3,368.1	3,515.2
Local	151.6	155.6	191.3	200.8	254.6	413.5	458.3	572.6	451.9	524.5	816.5

/a Provisional.
/b Excludes Rs 25.8 million for the year 1972/73; Rs 35.4 million for 1973/74; Rs 78.6 million for 1974/75; and Rs 106.7 million for 1975/76 mainly as investment in BIM industries.
/c Includes only private share of investment in electricity companies arrived at on the basis of paid-up share capital. Investments in KESC and gas companies are shown under public sector.
/d Excludes Rs 55.1 million for 1973/74; Rs 58.3 million for 1974/75; Rs 91.9 million for 1975/76; and Rs 100.1 million for 1976/77 as investment in nationalized banks.

Note: The Statistics Division's estimates do not tally with the Planning and Development Division's due to conceptual differences. The former relate to physical investments while the latter include financial investments, for example, cost of land, as well as advance payments for imports of equipment and funds remaining unutilized.

Source: Ministry of Finance and Economic Affairs.

Table 3.1: SUMMARY BALANCE OF PAYMENTS, 1973-80/a

(million US$)

ITEM	Fiscal Year							
	1973	1974	1975	1976	1977	1978	1979	1980
MERCHANDISE TRADE BALANCE	-124.6	-473.4	-1,136 6	-977 3	-1,286 0	-1,468 9	-2,171 6	-2,518 7
EXPORTS FOB	766 6	1,019.7	977 6	1,162 1	1,132 0	1,282 5	1,644.2	2,340 8
IMPORTS FOB	891 2	1,493 1	2,114 2	2,139 4	2,418 0	2,751.4	3,815 8	4,859 5
NON-FACTOR SERVICES BALANCE	-66.6	-153.3	-162.7	-178.7	-187.1	-181 1	-206 1	-256.0
CREDITS	135.9	182 3	274.0	268 8	272 3	364 6	463 0	615.0
FREIGHT & INSURANCE	3.1	2.0	1.7	1 2	2 0	1.8	2 6	3 0
OTHER TRANSPORTATION	57.7	97.5	129.4	125.4	127 3	132.6	190 6	275 0
TRAVEL	15 1	20 3	27 5	35 0	44 0	69 9	86 0	119.0
GOVERNMENT (N.I.E.)	37.7	27.6	40 0	46 8	38 0	71 1	78.9	74.0
OTHER SERVICES	22.3	34.9	75 4	60.4	61.0	89.2	104 9	144.0
DEBITS	202.5	335.6	436.7	447.5	459 4	545.7	669 1	871 0
FREIGHT & INSURANCE	82.0	153.9	208 0	201.4	229 0	287 8	338.4	444.0
OTHER TRANSPORTATION	35 7	65.6	55 2	59.5	50 0	66 6	84 4	102 0
TRAVEL	29.8	35 5	45 9	58 8	52 0	52 7	74 5	102.0
GOVERNMENT (N.I.E.)	32.7	45 0	68.0	75.8	79 0	87 0	110 8	152 0
OTHER SERVICES	22.3	35.6	59.6	52.0	49.4	51.6	61 0	71 0
FACTOR INCOME BALANCE	60 8	78.3	131 7	208.2	422.0	1,045 2	1,263 8	1,570 0
CREDITS	163.6	187 3	267.3	381.8	624.0	1,260 3	1,543 2	1,906.9
INVESTMENT INCOME	17.3	36.1	37.4	28.4	33.0	34 1	46.3	51.0
WORKERS' REMITTANCES	130 0	138 0	213.0	335 0	578 0	1,166 0	1,395 0	1,748 0
OTHER PRIVATE TRANSFERS	16.3	13 2	16.9	18.4	13.0	60.2	101 9	107 9
DEBITS	102.8	109 0	135.6	173.6	202.0	215.1	279.4	336.9
INVESTMENT INCOME	101.5	108.1	135.1	173.2	202 0	214.7	278.7	336 9
PRIVATE TRANSFERS	1.3	0.9	0.5	0.4	-	0 4	0.7	-
CURRENT ACCOUNT BALANCE	-130 4	-548.4	-1,167.6	-947.8	-1,051 1	-604 8	-1,113.9	-1,204 7
ALLOCATION OF SDR'S	-	-	-	-	-	-	38 2	39.0
CAPITAL BALANCE	122.9	553.8	1,153.0	955.3	993.7	624.3	1,092 0	1,157 8
CREDITS	413.7	707.3	1,403.7	1,405.3	1,411.7	1,283.3	1,700.1	2,214.7
GOVERNMENT TRANSFERS	34.8	71.5	108.6	138.0	153.0	126.0	130.5	268.9
PRIVATE & LONG TERM	58.7	100.9	144.9	182.6	148 0	153 4	184 8	235 0
PRIVATE & SHORT TERM	1.0	0 1	0 1	78 4	158 0	159 3	196 1	214 9
LOCAL GOVERNMENTS	33.0	106 0	123.8	212.2	303.0	421.0	-	-
CENTRAL GOVERNMENT	262.9	244 8	793.4	593 4	397 5	400.2	844 7	1,429 9
STATE BANK OF PAKISTAN	11.5	128.8	214.1	157.0	223 0	4 7	344 0	47 0
(OF WHICH IMF NET)	-	53 2	201 0	135 5	41 0		-	-
OTHER	11.8	55 2	18.8	43.7	29 2	13 7	-	19 0
DEBITS	290.8	153.5	250.7	450.0	418 0	659 0	608 1	1,056 9
GOVERNMENT TRANSFERS	4.8	4 3	4.6	18 2	4.0	14 2	2 7	3 0
PRIVATE & LONG TERM	45 9	43.4	49.2	43.1	41 0	44 9	61 7	105.0
PRIVATE & SHORT TERM	-	-	-	24 3	105 0	139.4	156 1	178.0
LOCAL GOVERNMENTS	41 8	37.0	35.5	29 8	43.0	36 0	-	-
CENTRAL GOVERNMENT	15.1	32.6	68.1	154 2	225.0	85.9	228 9	250.0
STATE BANK OF PAKISTAN	162.6	8.3	93 3	180.4	-	333 9	106 8	447 9
(OF WHICH IMF NET)	4.5	-	-	-	-	7 1	84.7	80 0
OTHER	20.6	27.9	-	-	-	4 7	51 9	73 0
ERRORS AND OMISSIONS	7.5	-5.4	14.6	-7.5	57 4	-19 5	-16.3	7.9

/a Fiscal year ending June 30.

Source: State Bank of Pakistan.

Table 3.2: GOLD AND FOREIGN EXCHANGE POSITION, ASSETS AND LIABILITIES OF SCHEDULED BANKS AND USE OF IMF CREDIT, 1971/72-1979/80/a

(million US$)

	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
State Bank Reserves (minus gold)	233	412	309	401	571	372	694	386	748
Special drawing rights	39	31	29	13	45	39	36	58	54
Foreign exchange	194	381	280	388	526	333	658	328	694
Scheduled Banks, Net	17	29	97	67	12	5	9	73	63
Foreign assets/c	48	69	140	128	101	123	134	208	201
Foreign liabilities	32	40	43	61	88	118	143	135	138
Total (1+2)	250	441	406	468	583	377	703	459	811
Use of IMF credit/b	101	109	163	371	469	518	544	478	408
Gold Holdings at SBP (million ounces)	1,570	1,600	1,600	1,588	1,618	1,618	1,718	1,768	1,818

/a As of end of fiscal year. Not including claims pending settlement with Reserve Bank of India.
/b Not including Trust Fund borrowings.
/c Foreign assets have been revised by excluding figures of import bills purchased by the scheduled banks since June 1972.

Sources: State Bank of Pakistan and International Financial Statistics (IMF).

Table 3.3: COMPOSITION OF IMPORTS, 1970/71-1979/80

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Capital Goods	1,885	1,486	2,499	3,975	6,152	7,158	8,750	9,316	10,970	16,679
Iron and Steel Bars	28	25	32	58	58	45	38	57	30	100
Plates and Sheets of Iron and Steel	129	103	245	566	690	512	775	768	1,067	1,542
Hoop and Strip Iron	15	14	34	51	-	35	17	21	29	28
Rails and Railway Track	13	11	6	2	4	93	78	26	78	207
Iron and Steel Wire	14	14	21	31	53	60	53	59	79	82
Tubes, Pipes and Fittings	45	45	50	77	147	412	366	139	222	270
Power Generating Machinery Other than Electric	50	8	40	146	21	129	259	204	458	414
Agricultural Machinery	65	56	72	201	295	534	837	939	1,090	1,480
Textile and Leather Machinery	143	196	202	243	14	714	581	573	501	635
Machines for Special Industries	94	76	60	121	205	407	547	573	528	540
Electric Power Machinery	87	78	107	168	272	433	383	532	633	561
Road Motor Vehicles	193	35	398	544	505	843	1,059	1,141	1,598	2,299
Others	1,009	825	1,232	1,767	3,888	2,941	3,757	4,314	4,657	8,521
Consumer Goods	385	795	2,484	3,214	4,714	4,337	3,651	5,555	8,969	7,500
Wheat	83	270	1,112	1,546	2,461	1,785	660	1,337	3,505	1,041
Other Food	12	180	834	896	931	1,281	1,386	2,078	1,871	2,517
Petroleum Products	-	69	25	151	424	390	601	723	926	1,887
Medicines and Drugs	56	79	120	184	186	272	348	513	601	751
Printed Matter	11	6	13	14	34	21	24	49	71	167
Others	223	191	380	423	678	588	632	855	868	1,137
Raw Materials	1,332	1,218	3,415	6,290	10,059	8,970	10,611	12,944	17,575	22,750
Crude Petroleum	167	172	463	1,055	2,145	2,526	2,711	3,380	3,046	5,857
Petroleum Products	/a	/a	161	303	745	827	772	815	1,274	2,940
Edible Oil	183	131	224	821	1,297	1,047	1,478	1,353	2,953	2,295
Chemicals	103	389	471	690	625	483	550	648	814	895
Dyeing and Tanning Materials	51	206	148	165	203	208	208	363	311	392
Fertilizers	118	51	390	895	960	559	623	1,018	2,808	2,711
Chemical Materials, n.e.s.	66	53	151	295	388	449	629	449	429	444
Pig Iron, Sponge Forms of Iron	21	46	57	37	280	64	39	47	96	146
Ingot and Primary Forms of Iron	101	55	165	176	481	134	243	295	330	329
Non-Ferrous Metals, n.e.s.	18	2	12	3	7	3	4	344	327	484
Iron and Steel Forgings	7	-	-	5	17	48	18	11	14	15
Copper	28	17	-	2	127	42	50	86	78	133
Aluminum	15	18	2	75	106	35	188	140	135	211
Others	455	78	1,171	1,708	2,678	2,545	3,098	3,776	4,960	5,898
Total	3,602	3,495	8,398	13,479	20,925	20,465	23,012	27,815	36,388	46,929

/a Not available separately, included under "others."

Source: Ministry of Finance and Economic Affairs.

Table 3.4: SUMMARY ECONOMIC CLASSIFICATION OF IMPORTS, 1969/70-1979/80

(percentage)

Year	Capital Goods	Industrial Raw Material Capital Goods	Industrial Raw Material Consumer Goods	Consumer Goods	Total Imports
1969/70	50.4	10.5	29.1	10.0	100
1970/71	52.3	10.6	26.4	10.7	100
1971/72	42.4	10.5	24.4	22.7	100
1972/73	29.8	9.9	30.8	29.5	100
1973/74	29.5	6.7	40.0	23.8	
1974/75	29.4	8.6	39.5	22.5	100
1975/76	35.0	6.1	37.7	21.2	100
1976/77	38.0	6.4	39.8	15.8	100
1977/78	33.4	7.0	39.6	20.0	100
1978/79	30.1	5.9	42.4	21.6	100
1979/80	35.5	6.2	42.3	16.0	100

Source: Ministry of Finance and Economic Affairs.

Table 3.5: VALUE, VOLUME AND UNIT VALUE OF MAJOR IMPORTS, 1972/73-1979/80

	1972/73			1973/74			1974/75		
	Value (Mil.US$)	Quantity ('000 tons)	Unit Value (US$/ton)	Value (Mil.US$)	Quantity ('000 tons)	Unit Value (US$/ton)	Value (Mil.US$)	Quantity ('000 tons)	Unit Value (US$/ton)
Crude Oil /b	45.0	2,477	18.2	105.15	2,835.73	37.08	216.68	2,535.44	85.46
Petroleum Products	18.0	618	29.1	43.60	781.85	55.77	110.78	1,134.27	97.67
Wheat Unmilled	105.3	1,138	78.7	156.22	1,287.73	132.19	222.78	1,163.92	191.40
Fertilizers /c	37.2	354	105.1	90.40	502.42	142.12	97.36	341.65	284.98
Edible Oil /d	30.7	107	286.9	63.41	124.51	509.28	45.70	63.23	722.77
Tea /e	31.0	38	815.8	34.60	37.84	915.55	57.00	50.68	1,322.07
Other Imports	530.0			368.16			1,353.39		
Total Imports	797.2			1,361.54			2,113.69		

	1975/76			1976/77			1977/78		
	Value (Mil.US$)	Quantity ('000 tons)	Unit Value (US$/ton)	Value (Mil.US$)	Quantity ('000 tons)	Unit Value (US$/ton)	Value (Mil.US$)	Quantity ('000 tons)	Unit Value (US$/ton)
Crude Oil /b	254.96	2,790.14	91.38	273.82	2,710.77	101.01	341.38	3,314.75	103.00
Petroleum Products	112.04	1,062.80	105.42	132.56	1,127.35	117.59	155.42	4,281.63	121.27
Wheat Unmilled	180.27	1,166.86	154.49	66.67	499.02	133.60	135.01	1,035.00	130.45
Fertilizers /c	56.40	202.96	199.32	62.98	399.64	157.59	103.76	594.56	175.00
Edible Oil /d	45.15	104.23	433.18	149.29	284.00	525.70	147.96	248.82	594.65
Tea /e	62.20	52.34	1,188.44	75.91	51.10	1,485.52	127.06	60.90	2,084.58
Other Imports	1,356.18			1,626.06			1,788.29		
Total Imports	2,067.20			2,374.46			2,798.88		

	1978/79			1979/80 /a		
	Value (Mil.US$)	Quantity ('000 tons)	Unit Value (US$/ton)	Value (Mil.US$)	Quantity ('000 tons)	Unit Value (US$/ton)
Crude Oil /b	307.71	2,945.77	104.46	591.66	4,619.16	128.09
Petroleum Products	222.26	1,676.46	132.58	487.59	1,817.02	268.35
Wheat Unmilled	354.05	2,236.49	158.31	105.19	602.21	174.67
Fertilizers /c	283.61	1,575.26	180.04	273.85	1,112.02	246.26
Edible Oil /d	268.18	411.67	651.44	230.05	344.91	666.99
Tea /e	100.97	61.12	1,652.00	96.31	60.91	1,581.19
Other Imports	2,138.78			2,955.67		
Total Imports	3,675.56			4,740.32		

/a Provisional.
/b Consists of partly refined petroleum, aviation and motor spirit, kerosene, high speed diesel oil and light diesel oil.
/c Consists of ammonium nitrate and sulphate, sodium nitrate, nitrogenous urea and phosphatic fertilizers, and fertilizers not specified.
/d Consists of soybean oil, olive oil and palm oil.
/e Consists of black, green and powder tea and tea not specified.

Source: Ministry of Finance and Economic Affairs.

Table 3.6: IMPORTS BY SOURCE, 1969/70-1979/80

(million rupees)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Imports, Total/a	3,285	3,602	3,495	8,398	13,479	20,925	20,465	23,012	27,815	36,388	46,928
North America/b	905	1,145	792	2,217	3,968	3,782	4,729	3,930	4,092	6,618	6,061
Canada	118	116	43	120	514	648	714	510	575	769	825
United States	787	1,030	729	2,094	3,452	3,097	3,977	3,393	3,497	5,791	5,219
Others	-	-	20	4	2	37	38	27	20	58	17
South America	-	-	5	347	85	33	31	99	71	645	695
Western Europe	1,265	1,237	1,170	2,355	3,815	5,349	5,136	6,186	7,900	10,161	12,551
Belgium	42	48	41	101	256	382	308	247	356	375	592
France	125	64	76	113	252	501	548	501	808	1,061	2,149
Germany, Federal Republic	391	406	344	749	1,051	1,558	1,242	1,463	2,174	2,083	2,309
Italy	185	193	192	233	300	599	669	717	783	1,254	1,854
Netherlands	48	36	63	196	515	392	260	515	700	1,862	1,094
United Kingdom	374	402	353	683	950	1,230	1,511	1,861	2,306	2,279	2,878
Others	100	88	101	280	491	687	598	882	773	1,247	1,676
Eastern Europe	281	314	361	558	792	1,103	1,033	1,032	1,067	1,396	1,620
U.S.S.R.	76	97	84	165	181	409	510	431	357	548	512
Others	206	217	277	393	611	694	523	601	710	848	1,108
Middle East	207	265	278	767	1,732	3,518	3,811	4,209	5,389	6,271	12,018
Abu Dhabi	68	58	34	6	1	125	947	912	708	1,077	1,493
Kuwait	5	42	63	204	498	1,224	781	1,183	1,469	2,310	4,739
Saudi Arabia	35	38	92	366	893	1,559	1,515	1,594	2,489	1,962	3,235
Others	99	127	89	191	340	610	568	520	723	922	2,551
Africa	10	6	24	106	111	182	212	212	450	447	440
Asia	548	597	825	1,939	2,904	5,693	5,292	6,719	8,221	9,965	12,980
China	50	55	99	362	571	535	549	633	629	981	1,464
Japan	325	359	350	721	1,126	2,633	2,499	3,292	3,322	4,149	5,422
Hong Kong	18	12	24	33	55	105	135	175	261	239	228
Others	155	171	352	823	1,152	2,420	2,109	2,619	4,009	4,596	5,366
Oceania	69	38	40	109	72	1,265	221	625	625	885	1,064

/a Through 1970/71 excludes imports from East Pakistan.
/b Includes Central America.

Source: Ministry of Finance and Economic Affairs.

Table 3.7: MERCHANDISE IMPORTS AND EFFECTIVE IMPORT EXCHANGE RATES, 1969/70-1979/80

(million rupees unless otherwise stated)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
1. Merchandise Imports: /a											
a. Million Rupees	3,205	3,602	3,495	8,398	13,479	20,925	20,007	23,012	27,815	36,388	46,929
b. Million US$ Equivalent	690	757	623	797	1,362	2,114	2,020	2,324	2,810	3,676	4,740
2. Bonus Vouchers:											
a. Bonus Vouchers Issued to Exporters	552	703	911	-	-	-	-	-	-	-	-
b. Bonus Premium	180	188	190	-	-	-	-	-	-	-	-
c. Expenditures on Bonus Vouchers	994	1,322	1,731	-	-	-	-	-	-	-	-
3. Duties and Taxes on Imports											
a. Import Duties	1,272	1,358	1,149	1,554	2,265	3,836	4,348	6,000	7,967	9,837	12,126
b. Price Equalization Surcharge	24	10	16	18	28	16	-	-	-	-	-
c. Sales Tax on Imports	352	438	332	270	465	763	886	1,124	1,266	1,628	2,014
d. Rehabilitation Surcharge	17	2	-	-	-	-	-	-	-	-	-
e. Total:	1,665	1,808	1,497	1,842	2,758	4,615	5,234	7,124	9,233	11,465	14,140
4. Total Rupee Expenditure on Merchandise Imports (excluding Defense) Including Cost of:											
a. Bonus Only (1.a + 2.c)	4,199	4,924	5,226	-	-	-	-	-	-	-	-
b. Bonus, Taxes and Duties (1.a + 3.e)	5,864	6,732	6,723	10,240	16,237	25,540	25,241	30,136	37,048	47,853	61,069
5. Effective Merchandise Import Exchange Rates (Rs/S) Accounting for Cost of:											
a. Bonus Only (4.a ÷ 1.b)	6.09	6.50	8.39	-	-	-	-	-	-	-	-
b. Bonus Taxes and Duties (4.b ÷ 1.b)	8.50	8.89	10.79	12.85	11.92	12.08	12.50	12.97	13.18	13.02	12.88

/a Through 1970/71 excludes imports from East Pakistan.

Source: Ministry of Finance and Economic Affairs

Table 3.8: COMPOSITION OF EXPORTS,[/a] 1969/70-1979/80

(million rupees)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Raw cotton	209.7	270.0	954.8	1,167.0	376.1	1,543.9	980.5	292.1	1,093.6	655.2	3,321.0
Cotton yarn	254.0	344.2	592.3	1,941.0	1,180.6	851.4	1,422.3	1,171.7	1,059.5	1,956.1	2,038.0
Cotton cloth	257.6	311.3	387.1	1,247.1	1,416.8	1,312.5	1,359.4	1,603.3	1,741.2	2,135.2	2,416.6
Rice	93.3	173.0	274.1	1,136.1	2,098.4	2,303.7	2,479.1	2,477.9	2,408.5	3,380.0	4,179.3
Fish and fish preparations	83.3	61.3	111.1	233.7	276.0	156.6	278.8	381.3	341.4	462.0	530.5
Tanned leather	109.3	107.0	173.5	544.9	418.5	367.3	295.9	647.4	636.5	1,247.3	1,264.4
Carpets and rugs	55.1	64.7	108.7	281.5	456.7	456.0	719.2	911.9	1,170.8	1,764.7	2,198.4
POL products	48.5	38.6	41.3	128.6	175.6	138.5	192.0	268.5	625.9	607.9	1,764.2
Cement and cement products	19.2	20.5	43.9	106.2	167.2	279.6	44.6	5.6	0.2	-	-
Sports goods	30.0	32.7	50.7	136.1	188.0	204.5	189.2	199.1	194.9	212.1	244.6
Raw wool	26.6	20.9	24.6	82.8	64.1	20.1	66.2	76.2	72.7	107.9	106.3
Others	421.4	554.2	609.3	1,546.2	2,713.2	2,652.0	926.7	3,258.9	3,635.3	4,360.9	5,346.8
Total	1,608.0	1,998.4	3,371.4	8,551.2	10,161.2	10,286.3	11,253.9	11,293.9	12,980.5	16,925.0	23,410.1
Exports to East Pakistan	1,666.9	1,377.6	474.0	-	-	-	-	-	-	-	
Total Exports	3,275.5	3,376.0	3,845.4	8,551.2	10,161.2	10,286.3	11,253.9	11,293.9	12,980.5	16,925.0	23,410.1

/a For the period 1969/70 - November 1971 interwing (between East and West Pakistan) trade is shown separately. After the separation, East Pakistan is treated as a foreign country.

Source: Ministry of Finance and Economic Affairs.

Table 3.9: SUMMARY ECONOMIC CLASSIFICATION OF EXPORTS, 1969/70-1979/80

(Percentages)

	Primary Commodities	Semi-Manufactured Goods	Manufactured Goods	Total Exports
1969/70	33.1	23.3	43.6	100.0
1970/71	32.6	23.6	43.8	100.0
1971/72	44.8	27.1	28.1	100.0
1972/73	39.4	30.2	30.4	100.0
1973/74	39.4	22.6	38.0	100.0
1974/75	48.0	12.7	39.3	100.0
1975/76	43.7	18.4	37.9	100.0
1976/77	40.9	16.7	42.4	100.0
1977/78	35.7	14.7	49.6	100.0
1978/79	32.3	20.6	47.1	100.0
1979/80	42.0	15.0	43.0	100.0

Source: Ministry of Finance and Economic Affairs.

Table 3.10: VALUE, VOLUME AND UNIT VALUE OF MAJOR EXPORTS, 1972/73-1979/80

		1972/73			1973/74			1974/75		
	Volume Unit	Value (Mil.US$)	Volume ('000 Units)	Unit Value ($/Unit)	Value (Mil.US$)	Volume ('000 Units)	Unit Value ($/Unit)	Value (Mil.US$)	Volume ('000 Units)	Unit Value ($/Unit)
Raw Cotton	lb	111.54	427,109.85	.26	37.99	79,645.31	.48	155.95	434,923.02	36
Cotton Yarn	lb	185.57	402,011.31	.46	103.12	216,504.24	.85	86.00	167,147.68	.51
Cotton Cloth	Sq. yd.	119.19	618,449.00	.19	143.11	415,727.81	.34	126.32	468,184.47	.27
Rice										
Fine Quality	ton	26.09	108.92	239.48	109.93	231.30	475.29	139.39	180.59	771.85
Medium Quality	ton	14.36	133.87	107.24	6.23	27.25	228.56	3.36	9.33	359.64
Coarse	ton	39.54	347.61	113.75	.81	2.17	374.89	19.95	62.41	319.70
Broken	ton	3.71	30.67	121.08	76.34	255.71	298.54	31.85	101.07	315.12
Leather	ton	50.66	21.34	2,373.80	39.73	12.15	3,271.09	36.52	11.17	3,270.34
Carpets	Sq. ft.	26.83	9,002.03	2.98	45.97	11,952.42	3.85	45.33	10,736.03	4.22
Fish	ton	22.20	20.19	1,099.70	27.23	16.91	1,633.69	15.80	13.56	1,165.25
Petrol Products	ton	8.89	649.22	13.69	17.39	271.25	64.10	13.65	157.93	86.44
Cement	ton	8.60	579.41	14.85	15.98	758.38	21.07	24.74	516.79	47.88
Sports Goods	-	13.01			18.99			20.66		
Other	-	187.12			303.16			319.50		
Total Exports		817.31			1,026.38			1,039.02		

		1975/76			1976/77			1977/78		
	Volume Unit	Value (Mil.US$)	Volume ('000 Units)	Unit Value ($/Unit)	Value (Mil.US$)	Volume ('000 Units)	Unit Value ($/Unit)	Value (Mil.US$)	Volume ('000 Units)	Unit Value ($/Unit)
Raw Cotton	lb	99.04	246,245.03	.40	29.51	39,161.00	.75	110.06	214,753.00	.51
Cotton Yarn	lb	143.66	243,525.19	.59	118.35	146,582.00	.81	107.00	132,177.00	.81
Cotton Cloth	Sq. yd.	137.32	554,778.14	.25	161.95	498,538.00	.32	175.68	542.151.75	.32
Rice										
Fine Quality	ton	160.20	306.08	523.41	173.36	510.45	339.45	124.00	271.62	456.52
Medium Quality	ton	27.16	126.64	214.46	18.96	92.36	205.28	46.65	175.65	265.58
Coarse	ton	43.96	225.96	194.57	43.68	245.00	178.29	61.65	282.75	218.04
Broken	ton	17.69	103.46	171.04	12.43	80.19	155.01	11.50	57.20	201.05
Leather	ton	55.68	76,539.05	.73	65.39	91,925.00	.71	64.29	8.60	7,475 58
Carpets	Sq. ft.	71.44	14,359.23	4.98	91.44	18,075.00	5.06	118.26	20,916.00	5.65
Fish	ton	28.14	13.51	2,083.15	38.52	18.00	2,140.00	34.48	13.17	2,618.07
Petrol Products	ton	17.27	292.33	59.09	23.48	241.55	97.21	63.22	624.74	101.19
Cement	ton	4.39	88.13	49.80	0.56	13.17	42.52	-	-	-
Sports Goods	-	19.11			20.11			19.69		
Other	-	311.62			343.04			374.08		
Total Exports		1,136.70			1,140.78			1,310.76		

		1978/79			1979/80		
	Volume Unit	Value (Mil US$)	Volume ('000 Units)	Unit Value ($/Unit)	Value (Mil US$)	Volume ('000 Units)	Unit Value ($/Unit)
Raw Cotton	lb	66.19	120,438 08	55	335.46	551,764.40	0.61
Cotton Yarn	lb	197.59	219,826.50	92	205.86	219,630.40	0 94
Cotton Cloth	Sq. yd	215.67	636,069.24	34	244 18	652,756 47	0 37
Rice							
Fine Quality	ton	135.37	178 50	758 38	225 48	314 85	716.15
Other	ton	206.05	833 65	247 17	196 67	771 79	254.82
Leather	Sq. mtr	124 00	12,494.40	9.92	127.72	10,209.00	12.52
Carpets	Sq ft.	174.76	25,032.78	6.98	222 06	30,012.92	7.40
Fish	ton	46.66	11 69	3,991.45	53 59	13.18	4,066 00
Petrol. Products	ton	61 40	681.00	90.16	178.20	1,036 52	171.92
Cement	ton	-	-	-	-	-	-
Sports Goods	-	21 43			24.71		
Other	-	460.48			550 73		
Total Exports		1,709 60			2,364.66		

Source Ministry of Finance and Economic Affairs

Table 3.11: EXPORTS BY DESTINATION, 1972/73-1979/80

(million rupees)

	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Exports, Total/a	8,351.2	10,161.2	10,286.9	11,252.9	11,293.9	12,980.4	16,925.0	23,410.1
North America/b	431.6	716.6	499.3	790.9	710.0	778.7	1,273.3	1,460.2
Canada	76.6	137.4	77.0	88.3	72.0	73.6	97.8	137.3
United States	348.8	540.5	383.6	645.6	581.7	656.2	1,164.3	1,201.1
Others	6.2	38.7	38.7	57.0	56.3	48.9	11.2	121.8
South America	2.6	33.6	45.8	10.1	8.7	101.0	41.1	421.1
Western Europe	2,132.1	2,796.3	4,233.4	2,951.8	3,195.0	3,169.6	4,950.2	5,905.8
Belgium	75.2	234.7	248.3	81.7	109.4	96.7	161.0	317.6
France	183.4	266.0	194.8	228.6	251.7	252.9	423.4	581.2
Germany, Federal Republic	305.8	463.5	462.8	597.6	648.4	732.0	1,036.8	1,429.6
Italy	434.4	491.2	250.0	430.9	421.0	377.4	678.4	881.8
Netherlands	132.4	159.0	135.5	150.5	214.7	232.9	334.7	376.2
United Kingdom	630.2	686.6	687.0	710.9	807.5	860.8	1,289.2	1,127.9
Others	370.7	597.3	545.0	751.6	742.3	616.9	1,026.7	1,191.5
Eastern Europe	640.4	632.7	759.1	591.0	496.7	579.8	657.9	994.0
U.S.S.R.	222.6	256.1	316.7	194.7	251.3	279.2	295.6	524.1
Others	417.8	376.6	442.4	396.5	245.4	306,6	362.3	469.9
Middle East	787.8	1,897.5	3,004.8	3,016.0	3,569.5	3,438.7	3,619.1	5,934.1
Iran	60.0	392.2	594.2	176.2	879.1	524.5	464.2	1,039.1
Iraq	106.2	206.6	313.2	584.8	498.2	652.1	324.9	392.8
Saudi Arabia	128.2	396.6	620.9	796.4	461.3	426.0	944.9	1,269.1
Others	493.4	965.1	1,476.4	1,458.6	1,730.9	1,836.1	1,885.1	3,233.1
Africa	405.1	401.0	558.7	352.6	395.6	721.9	1,306.7	1,079.7
Asia	4,067.0	3,488.9	3,110.1	3,562.5	2,821.4	4,111.6	4,930.9	7,457.7
China (Mainland)	193.4	39.3	150.8	175.5	96.3	367.5	142.7	1,441.7
Japan	1,562.1	633.3	699.1	185.9	922.5	1,107.8	1,669.8	1,812.7
Hong Kong	961.0	1,116.9	786.9	1,239.9	711.4	794.2	1,394.0	1,841.2
Others	1,350.5	1,699.4	1,473.3	1,261.2	1,092.2	1,842.1	1,724.4	2,362.1
Oceania	79.5	192.6	85.1	78.0	97.0	79.1	145.8	157.5

/a Excludes re-exports.
/b Includes Central America.

Source: Ministry of Finance and Economic Affairs.

Table 3.12: MERCHANDISE EXPORTS AND EFFECTIVE EXCHANGE RATES, 1971/72-1979/80

(million rupees unless otherwise stated)

	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Merchandise Exports/a									
Rs million	3,371.4	8,551.2	10,161.3	10,286.3	11,253.3	11,293.9	12,976.5	16,925.0	23,410.0
US$ million equivalent	597.2	817.0	1,026.4	1,039.0	1,136.7	1,140.8	1,310.8	1,709.6	2,364.7
Export incentives/b	1,312.5	-	-	-	-	-	-	500.0	564.0
Gross rupee earnings on exports	4,683.9	8,551.5	10,161.3	10,286.3	11,253.3	11,293.8	12,976.5	17,425.0	23,974.1
Export duties	142.0	1,060.0	1,876.0	1,042.0	738.0	82.0	345.0	286.0	446.0
Net rupee earnings	4,541.9	7,491.2	8,285.3	9,244.3	10,515.3	11,211.9	12,631.5	17,139.0	23,528.1
Average net rupee earnings per dollar on merchandise exports	7.61	9.17	8.07	8.90	9.25	9.83	9.64	10.03	9.95

/a Excludes re-exports.
/b Sales proceeds of bonus vouchers in 1971/72, export rebates in 1978/79 and 1979/80.

Source: Ministry of Finance and Economic Affairs.

Table 3.13: UNIT VALUES OF FOREIGN TRADE AND TERMS OF TRADE, 1969/70-1979/80

(1969/70=100)

	Imports Unit Value	Exports Unit Value	Terms of Trade
1969/70	100	100	100
1970/71	120	107	90
1971/72	156	129	82
1972/73	285	273	95
1973/74	413	439	106
1974/75	614	410	67
1975/76	583	411	71
1976/77	585	489	83
1977/78	628	508	81
1978/79	656	574	87
1979/80	803/a	673	84/a

/a Provisional.

Note: Terms of Trade and Unit Value Indices of Imports and Exports are computed on a quarterly basis and the annual figures are arrived at by averaging the four quarters of the year.

Source: Ministry of Finance and Economic Affairs.

Table 3.14: CONSORTIUM AND NON-CONSORTIUM ASSISTANCE, 1971/72-1979/80[/a]

(million US$)

	Commitments			Disbursements			Pipeline			
							Consortium		Non-Consortium	
Years	Consortium[/b]	Non-Consortium	Total	Consortium	Non-Consortium	Total	Opening Balance	Closing Balance	Opening Balance	Closing Balance
1971/72	52	-	52	206	40	246	673	210	627	535
1972/73	401	32	433	97	49	246	210	414	535	518
1973/74	565	627	1,192	330	53	383	414	649	518	1,092
1974/75	510	539	1,049	437	441	878	649	722	1,092	1,190
1975/76	637	119	756	380	497	877	736[/c]	993	1,248[/d]	870
1976/77	722	254	976	529	278	807	993	1,186	870	846
1977/78	714	151	865	493	291	784	1,246[/e]	1,467	877[/f]	737
1978/79	965	436	1,401	598	257	855	1,471[/g]	1,838	742[/h]	921
1979/80[/i]	1,026	508	1,534	782	567	1,349	1,745[/j]	1,989	915	856

/a Excludes Indus/Tarbela Development Funds, PL-480, Food Aid Convention and Technical Assistance.
/b Includes aid provided outside Consortium arrangements.
/c Includes $14 million as exchange adjustment.
/d Includes $58 million as exchange adjustment.
/e Includes $60 million as exchange adjustment.
/f Includes $31 million as exchange adjustment.
/g Includes $4 million as exchange adjustment.
/h Includes $5 million as exchange adjustment.
/i Excludes relief assistance for Afghan refugees commitments $137 million and disbursements $61 million.
/j Excludes $33 million as exchange adjustment/cancellation.

Source: Ministry of Finance and Economic Affairs.

Table 3.15: DISBURSEMENTS OF FOREIGN ASSISTANCE, 1971/72-1979/80/a

(million US$)

	Consortium					Non-Consortium			Total
Years	Project	Non-Project	Indus/Tarbela/b	PL-480/b	Total	Project	Non-Project	Total	
1971/72	138	68	104	50	360	30	10	40	400
1972/73	44	153	52	69	318	16	33	49	367
1973/74	132	221	42	62	457	9	44	53	510
1974/75	216	235	50	80	581	22	419	441	1,022
1975/76	232	175	38	117	562	113	384	497	1,059
1976/77	309	241	42	91	683	98	180	278	961
1977/78	321	144	5	94	564	190	102	292	856
1978/79	395	203	43	50	691	161	96	257	948
1979/80/c	619	163	39	21	842	150	417	567	1,409

/a Excludes technical assistance.
/b Includes grants and loans.
/c Excludes $61 million as relief assistance for Afghan refugees.

Source: Ministry of Finance and Economic Affairs.

Table 3.16: WORKERS' REMITTANCES BY MONTH, 1976/77-1979/80

(million US$)

	1976/77	1977/78	1978/79	1979/80
July	33.5	81.6	105.0	122.0
August	33.4	95.4	108.4	129.1
September	33.9	75.1	104.6	115.0
October	38.6	90.8	134.9	139.1
November	43.4	78.2	111.1	103.7
December	37.9	91.4	95.4	147.5
January	58.8	105.1	139.0	169.0
February	47.1	93.6	109.5	165.0
March	65.1	110.7	123.4	168.0
April	75.2	109.0	124.6	167.0
May	57.2	117.7	122.8	168.0
June	53.7	107.6	119.0	154.0
Total	577.7	1,156.2	1,397.7	1,748.0

Source: State Bank of Pakistan.

Table 4.1: EXTERNAL PUBLIC DEBT[/a] OUTSTANDING AT JUNE 30, 1980, BY LENDER

(million US$)

	Disbursed	Undisbursed	Total	Percent
Consortium				
Bilateral Members	4,982.5	665.7	5,648.2	50.4
Belgium	39.6	17.7	57.3	0.5
Canada	393.6	118.2	511.8	4.6
France	321.5	107.6	429.1	3.8
Germany	882.8	143.7	1,026.5	9.2
Italy	135.9	32.0	167.9	1.5
Japan	629.9	96.4	726.3	6.5
Netherlands	156.6	31.2	187.8	1.7
Norway	-	-	-	-
Sweden	-	-	-	-
United Kingdom	87.7	42.7	130.4	1.2
United States	2,334.9	76.2	2,411.1	21.5
Multilateral Agencies	1,437.2	995.4	2,432.6	21.7
Asian Development Bank	317.5	490.7	808.2	7.2
IBRD	331.0	60.6	391.6	3.5
IDA	788.7	444.1	1,232.8	11.0
Non-Consortium				
OPEC	1,266.6	249.4	1,516.0	13.5
Iran	714.2	-	714.2	6.4
Kuwait	21.3	76.4	97.7	0.9
Libya	74.0	-	74.0	0.7
Qatar	4.3	6.8	11.1	0.1
Saudi Arabia	316.8	155.2	472.0	4.2
UAE	136.0	11.0	147.0	1.3
Other Lenders	971.6	641.5	1,613.1	14.4
China, P.R.	113.8	168.1	281.9	2.5
USSR	299.8	298.6	598.4	5.3
IMF Trust Fund[/b]	288.0	-	288.0	2.6
Others	270.0	174.8	444.8	4.0
Total	8,657.9	2,552.0	11,209.9	100.0

/a Debt with a maturity of over one year, guaranteed directly or indirectly by the Government, including debt owed to private creditors.
/b Table does not otherwise include outstanding borrowings from the IMF.

Source: World Bank Debt Reporting System, based on detailed reports from the Government of Pakistan.

Table 4.2: PROJECTED SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT[/a] CONTRACTED THROUGH JUNE 30, 1980

(million US$)

	1980/81	1981/82	1982/83	1983/84	1984/85
Consortium	433.5	448.5	441.7	429.9	438.6
Bilateral Members	341.9	350.0	336.3	322.3	324.6
Belgium	3.1	2.9	3.0	3.0	2.7
Canada	6.7	6.6	5.7	5.7	9.6
France	54.5	56.3	54.5	49.2	43.7
Germany	71.1	70.3	64.3	56.0	54.4
Italy	19.4	22.0	20.3	19.1	18.1
Japan	42.1	45.9	42.9	44.0	43.9
Netherlands	7.6	7.8	8.1	9.3	9.8
Norway	-	-	-	-	-
Sweden	-	-	-	-	-
United Kingdom	25.5	30.4	27.4	25.0	21.1
United States	111.9	107.8	110.1	111.0	121.3
Multilateral Members	91.6	98.5	105.4	107.6	114.0
Asian Development Bank	33.2	37.8	43.2	48.0	52.5
IBRD	48.5	50.2	50.3	46.1	45.2
IDA	9.9	10.5	11.9	13.5	16.3
Non-Consortium	212.9	228.9	261.8	295.4	295.5
OPEC	114.9	131.4	130.9	157.4	159.7
Iran	76.1	88.0	86.1	84.1	82.1
Kuwait	5.4	7.1	7.8	8.6	9.0
Libya	8.6	8.4	8.1	7.9	4.9
Qatar	1.6	3.4	3.2	1.6	1.5
Saudi Arabia	14.2	15.6	17.0	47.8	52.6
UAE	9.0	8.9	8.7	7.4	9.6
Other Lenders	98.0	97.5	130.9	138.0	135.8
China, P.R.	2.1	2.3	2.5	1.9	1.6
USSR	41.5	43.5	69.4	67.3	65.4
IMF Trust Fund[/b]	1.4	1.4	4.8	19.7	27.1
Others	53.0	50.3	54.2	49.1	41.7
Total	646.4	677.4	703.5	725.3	734.1

/a Debt with a maturity of over one year, guaranteed directly or indirectly by the Government, without the effects of debt relief agreed to in January 1981, including debt service to private creditors.
/b Table does not otherwise include service payments to the IMF.

Source: World Bank Debt Reporting System, based on detailed reports provided by the Government of Pakistan.

Table 5.1: CONSOLIDATED REVENUES AND EXPENDITURES OF FEDERAL AND PROVINCIAL GOVERNMENTS, 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a	1980/81/b
Current Account											
Current Revenues	7,139	8,080	9,665	13,757	16,488	19,826	22,506	27,128	31,427	39,350	47,298
Tax Revenues/c	5,645	6,121	7,497	10,487	12,838	15,544	17,759	21,585	25,093	32,507	38,683
Non-Tax Revenues	1,494	1,959	2,168	3,270	3,651	4,282	4,747	5,543	6,334	6,843	8,615
Current Expenditures	6,606	7,837	10,078	14,272	19,633	22,333	23,058	28,005	33,888	39,459	43,988
Non-Development	6,228	7,515	9,123	13,022	17,423	19,487	19,809	25,028	29,232	33,672	37,015
Development	378	322	955	1,250	2,210	2,846	3,249	2,977	4,656	5,787	6,973
Current Account Surplus	533	243	-413	-515	-3,145	-2,507	-552	-877	-2,461	-109	3,310
Capital Account											
Capital Expenditures	3,065	3,449	5,086	7,024	11,308	14,456	15,734	16,350	20,318	24,774	26,445
Non-Development	664/d	1,321/d	2,222	1,890	2,906	3,898	3,025	2,206	4,489	8,756	6,954
Development	2,401/d	2,128/d	2,864	5,134	8,402	10,558	12,709	14,144	15,829	16,018	19,491
Financed by Domestic Resources	1,311	1,266	222	2,660	487	1,094	2,095	3,560	2,600	5,914	9,975
Revenue Account Surplus	533	243	-413	-515	-3,145	-2,507	-552	-877	-2,461	-109	3,310
Non-Bank Borrowing	353	460	579	937	1,514	1,715	1,364	2,400	2,512	1,555	2,048
Recoveries of Loans and Advances	234	186	443	503	591	473	483	609	591	930	1,229
Accretions to Reserve Funds	60	277	447	369	1,307	840	807	732	112	454	115
Other Deposits and Remittances	130	-48	-841	1,144	22	-316	-415	-25	723	1,414	851
State Trading	-	-	-	-	-	177	25	-	-	-	-
Autonomous Bodies	-	-	-	131	180	417	353	523	975	1,464	2,226
Other Capital Receipts	1	148	7	91	18	295	30	198	148	206	196
Foreign Assistance	1,249	878	3,357/e	3,865	8,786	9,461	7,630	7,237	9,216	12,555	12,970
Project Aid	703	482	620	694	1,266	2,117	2,690	3,807	3,994	3,884	5,100
Rupee Generating Aid	546	396	2,737	3,171	7,520	7,344	4,940	3,430	5,222	8,671	7,870
Expansionary Financing	505	1,305	1,507	499	2,038	3,901	6,009	5,553	8,502	6,305	3,500
Total Expenditures	9,671	11,286	15,164	21,296	30,941	36,789	38,792	44,355	54,206	64,233	70,433
Non-Development	6,892	8,836	11,345	14,912	20,329	23,385	22,834	27,234	33,721	42,428	43,969
Development	2,779	2,450	3,819	6,384	10,612	13,404	15,958	17,121	20,485	21,805	26,464

/a Provisional.
/b Government estimates (November 1980).
/c Excluding transfers to AJK Government.
/d Inclusive of loans to and investment in autonomous bodies amounting to Rs 835 million in 1970/71 and Rs 483 million in 1971/72, channeled through the provincial budgets but funded by the Central Government.
/e Inclusive of foreign assistance received to finance non-ADP programs (included in non-development capital expenditures).

Source: Ministry of Finance and Economic Affairs.

Table 5.2 FEDERAL GOVERNMENT REVENUES AND EXPENDITURES, 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79/a	1979/80/a	1980/81/b
Current Account											
Current Revenues	5,155	5,922	7,316	10,920	12,729	14,591	16,885	20,695	24,159	30,084	[illegible]
Tax Revenues	4,214	4,633	5,894	8,538	10,025	11,409	13,290	16,555	19,339	24,648	[illegible]
Tax Revenues (gross)	5,111	5,494	6,768	9,445	11,429	13,915	16,112	19,751	23,475	30,698	36,803
Less Transfers	897	861	874	907	1,404	2,506	2,822	3,196	4,136	6,050	7,809
Provincial Shares	(897)	(861)	(874)	(822)	(1,379)	(2,481)	(2,797)	(3,196)	(4,136)	(6,050)	(7,809)
AJK Government	(-)	(-)	(-)	(25)	(25)	(25)	(25)	(-)	(-)	(-)	(-)
Non-Tax Revenues	941	1,289	1,422	2,382	2,704	3,184	3,595	4,140	4,820	5,436	7 090
Post Office	-	5	-5	-16	-54	-37	-62	-76	-32	-12	-54
Telephone and Telegraph	75	155	163	162	172	226	240	379	868	847	1,320
Currency and Mint	96	103	108	160	240	355	372	448	407	419	515
Interest Income	482	555	489	507	726	1,127	1,569	1,822	1,891	2,364	3,480
State Trading Profits	-	-	-	892	769	493	419	310	467	540	479
Defense Service Receipts	138	139	222	338	425	483	457	344	223	227	208
Others	150	332	445	339	426	537	600	913	996	1,051	1,143
Current Expenditures	4,653	5,763	7,110	10,605	14,758	16,172	16,435	19,872	25,366	[illegible]	[illegible]
Non-Development Expenditures	4,584	5,685	6,945	10,216	13,494	14,364	14,377	17,993	22,005	[illegible]	[illegible]
Defense	3,000	3,725	4,440	4,949	6,914	8,103	8,121	9,674	10,168	12,655	14,500
Internal Security	164	171	233	333	714	679	790	828	836	878	950
Interest Payments/c	637	998	1,171	1,509	1,681	2,178	2,721	3,189	3,833	4,599	5,146
General Administration	335	512	583	762	812	1,121	1,234	1,120	1,440	1,585	1,684
Community Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	362	612	697	767
Social Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	583	607	1,119	1,233
Economic Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,167	1,343	939	936
Subsidies/d	-	-	-	2,243	2,819	1,598	639	1,070	3,032	2,828	2,136
Others	248	279	518	420	554	685	874	-	134	137	475
Development Expenditures	69	78	165	389	1,264	1,808	2,058	1,879	3,361	4,392	5,628
Current Account Surplus	502	159	206	315	-2,029	-1,579	450	823	-1,207	305	2,629
Capital Account											
Capital Expenditures	1,788	2,850	4,022	5,026	9,084	11,826	12,974	13,704	17,318	21,578	22,768
Non-Development Expenditures	733	1,568	2,081	1,792	2,840	3,823	2,977	2,151	4,400	8,615	6,822
Repayment of Foreign Loans	284	482	128	585	963	2,692	1,770	1,108	2,505	5,604	4,375
State Trading (net)	-	-	-	-	349	-	-	51	-36	-494	254
Investment	36	34	102	101	765	282	318	208	156	95	548
Loans	96	67	147	183	59	65	79	112	550	1,154	169
Others	317	985	1,704	923	704	784	810	672	1,225	2,256	1,476
Development Expenditures	1,055	1,282	1,941	3,234	6,244	8,003	9,997	11,553	12,918	12,963	15,946
Indus/Tarbela	656	816	839	732	1,073	841	619	437	863	894	1,007
Direct Expenditures	386	452	669	1,013	1,551	1,589	2,968	3,500	3,319	3,501	4,919
Loans and Investments	13	14	433	1,489	3,620	5,573	6,410	7,616	8,736	8,774	10,020
Autonomous Bodies	(-)	(-)	(559)	(1,255)	(3,313)	(5,218)	(6,026)	(7,076)	(7,936)	(8,372)	(9,795)
Others	(13)	(14)	(55)	(234)	(307)	(355)	(384)	(540)	(800)	(402)	(225)
Less: Likely Shortfall	-	-	-	-	-	-	-	-			
Financed by Domestic Resources	1,136	1,155	727	3,211	1,325	1,572	2,879	4,872	3,490	5,951	8,888
Revenue Account Surplus	502	159	206	315	-2,029	-1,579	450	823	-1,207	305	2,629
Autonomous Bodies Resources	-	-	-	131	180	417	353	523	975	1,464	2,226
Non-Bank Borrowings	319	420	523	867	1,459	1,638	1,250	2,224	2,325	1,427	1,897
(Unfunded Debt)	(256)	(403)	(454)	(702)	(655)	(856)	(937)	(1,347)	(1,179)	(1,420)	(1,505)
(Public Debt)	(63)	(17)	(69)	(165)	(876)	(541)	(168)	(440)	(989)	(310)	(384)
(Treasury Deposit Receipts)	(-)	(-)	(-)	(-)	(-72)	(241)	(145)	(437)	(157)	(-303)	(8)
Recoveries of loans and advances	204	136	383	453	520	426	447	576	549	877	1,166
Accretion to reserve funds/e	60	277	447	369	1,155	840	807	732	117	454	115
Other deposits and remittances	50	15	-839	985	22	-357	-415	-25	723	1,414	851
State trading (net)	-	-	-	-	-	177	25	-	-	-	-
Other capital receipts/f	1	148	7	91	18	10	-38	19	12	10	4
Foreign Assistance	1,249	878	3,357	3,865	8,786	9,461	7,630	7,237	9,216	12,555	12,970
Project Aid	703	482	620	694	1,266	2,117	2,690	3,807	3,994	3,884	5,100
Rupee Generating Aid	546	396	2,737	3,171	7,520	7,344	4,940	3,430	5,222	8,671	7,870
Total Resources	2,385	2,033	4,084	7,076	10,111	11,033	10,509	12,399	12,706	18,506	21,585
Overall Surplus/Deficit	597	-817	62	2,050	1,027	-793	-2,465	-1,595	-4,612	-3,072	-910

/a Provisional.
/b Budget estimates.
/c Interest payments on domestic and foreign loans.
/d Not separately shown until 1973/74.
/e Excluding appropriations for avoidance and reduction of debt.
/f Excluding borrowings from the banking system.

Note: Excludes Federal and Provincial Government Transfers.

Source: Ministry of Finance and Economic Affairs.

Table 5.3: PROVINCIAL GOVERNMENT REVENUES AND EXPENDITURES, 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79/a	1979/80/a	1980/81/b
Current Account											
Current Revenues	1,984	2,158	2,348	2,812	3,735	5,233	5,621	6,433	7,268	9,266	11,214
Tax Revenues	1,431	1,488	1,603	1,924	2,788	4,135	4,469	5,030	5,754	7,859	9,689
Provincial Taxes	534	627	729	1,042	1,409	1,654	1,672	1,834	1,618	1,809	1,880
Share of Central Taxes	897	861	874	882	1,379	2,481	2,797	3,196	4,136	6,050	7,809
Non-Tax Revenues	553	670	746	888	947	1,098	1,152	1,403	1,514	1,407	1,525
Irrigation (Gross)	267	295	260	377	271	373	396	497	417	472	477
Forests	61	72	78	98	143	134	132	141	224	218	259
Interest Income	19	21	56	27	37	52	445	29	73	80	86
Other	206	282	353	386	496	539	579	736	800	637	703
Current Expenditures	1,953	2,074	2,968	3,667	4,875	6,161	6,623	8,133	8,522	9,680	10,533
Non-Development Expenditures	1,644	1,830	2,178	2,806	3,929	5,123	5,432	7,035	7,227	8,285	9,188
General Administration	210	244	286	348	500	506	610	752	760	746	821
Law and Order	155	153	210	272	441	508	594	652	824	957	1,031
Community Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	407	553	570	641
Social Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,550	2,668	2,860	3,501
Economic Services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,164	1,608	1,778	2,003
Subsidies	97	116	162	222	155	363	472	704	569	993	879
Debt Servicing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	167	198	368	312
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	639	47	13	-
Development Revenue Expenditures	309	244	790	861	946	1,038	1,191	1,098	1,295	1,395	1,345
Current Account Surplus	31	84	-620	-855	-1,140	-928	-1,002	-1,700	-1,254	-414	681
Capital Account											
Capital Expenditures	1,277	599	1,064	1,998	2,224	2,630	2,760	2,646	3,000	3,196	3,677
Non-Development Expenditures	-69	-247	141	98	66	75	48	55	89	141	132
Loans	10	10	16	46	60	74	46	55	105	106	61
Other (Net)/f	-79	-257	125	52	6	1	2	-	-16	35	71
Development Expenditures	1,346	846	923	1,900	2,158	2,555	2,712	2,591	2,911	3,055	3,545
Financed by Provincial Resources	175	111	-506	-576	-862	-478	-784	-1,312	-890	-37	1,087
Revenue Account Surplus	31	84	-620	-855	-1,140	-928	-1,002	-1,700	-1,254	-414	681
Unfunded Debt (Net)	34	40	56	70	55	77	114	176	187	128	151
Recoveries of Loans and Advances	30	50	60	50	71	47	36	33	42	53	63
Other/g	80	-63	-2	159	152	326	68	179	135	196	192
Overall Surplus/Deficit	1,102	-488	-1,570	-2,574	-3,086	-3,108	-3,544	-3,958	-3,890	-3,233	-2,590

/a Provisional.
/b Budget estimates.
/c Net of interest payments.
/d Includes interest payments on irrigation.
/e "Beneficient Departments."
/f Mainly State trading.
/g Net deposits and remittances, accretions to reserve funds and extraordinary income items.

Note: Excludes Federal and Provincial Government Transfers.

Source: Ministry of Finance and Economic Affairs.

Table 5.4: CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENT TAX REVENUES, 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79/a	1979/80/a	1980/81/b
Direct Taxes	1,208	1,606	1,505	1,665	1,919	2,775	3,115	3,342	3,978	5,758	7,152
Federal Income and Corporation Tax	915	1,236	1,120	1,191	1,390	2,145	2,659	2,852	3,364	5,177	6,529
Federal Property Taxes	24	30	42	59	57	74	38	48	60	84	120
Provincial Property Taxes/c	257	331	340	408	467	547	407	409	554	497	503
Provincial Other Direct Taxes	12	9	3	7	5	9	11	33	-	-	-
Indirect Taxes	4,437	4,511	5,992	8,822	10,919	12,769	14,644	18,243	21,115	26,749	31,531
Taxes on Production, Consumption and Domestic Transactions	2,583	2,854	3,060	4,160	5,222	6,719	7,381	8,587	9,364	12,163	14,931
Federal Sales Taxes (Excluding Sales Tax on Imported Goods)	170	150	190	227	312	313	239	324	307	396	440
Federal Surcharges (Excluding Price Equalization Surcharge)	126	298	217	563	515	985	1,056	877	1,076	753	1,434
Federal Excise Duties	2,022	2,119	2,265	2,742	3,458	4,323	4,832	5,994	6,917	9,702	11,680
Provincial Excise Duties	54	58	61	93	121	147	142	73	75	23	21
Other Indirect Taxes/d	211	229	327	534	816	951	1,112	1,319	989	1,289	1,356
Taxes on International Trade	1,854	1,661	2,932	4,662	5,697	6,050	7,263	9,656	11,751	14,586	16,600
Taxes on Imports	1,806	1,497	1,842	2,758	4,615	5,234	7,124	9,233	11,465	14,140	16,350
Import Duties	(1,358)	(1,149)	(1,554)	(2,265)	(3,836)	(4,348)	(6,000)	(7,967)	(9,837)	(12,126)	(13,702)
Sales Tax on Imported Goods	(438)	(332)	(270)	(465)	(763)	(886)	(1,124)	(1,266)	(1,628)	(2,014)	(2,648)
Price Equalization Surcharge	(10)	(16)	(18)	(28)	(16)	(-)	(-)	(-)	(-)	(-)	(-)
Taxes on Exports	-	142	1,060	1,876	1,042	738	82	345	286	446	250
Miscellaneous	48	22	30	28	40	78	57	78	-	-	-
Provincial New Tax Measures	-	-	-	-	-	-	-	-	-	-	-
Total Tax Revenues	5,645	6,121	7,497	10,487	12,838	15,544	17,759	21,585	25,093	32,507	38,683

/a Provisional.
/b Budget estimates.
/c Includes land revenue, surcharge on land revenue, motor vehicle tax and property tax.
/d Federal and Provincial other indirect taxes, viz., stamp duties, registration, entertainment duties, electricity duties and others.

Source: Ministry of Finance and Economic Affairs.

Table 5.5: COMPOSITION OF FEDERAL GOVERNMENT TAX REVENUES, 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79/a	1979/80/a	1980/81/b
Direct Taxes	939	1,267	1,162	1,250	1,447	2,244	2,722	2,900	3,424	5,261	6,649
Income Taxes	915	1,236	1,120	1,191	1,390	2,170	2,684	2,852	3,364	5,177	6,529
Individual income tax	644	871	851	877	980	1,684	1,882	1,767	2,195	3,427	4,429
Corporation income tax	255	345	250	300	393	473	761	1,057	1,144	1,723	2,070
Income taxes under MLRs/c	16	21	19	11	3	4	16	-	-	-	-
Workers' welfare tax/d	-	-	-	3	14	9	25	28	25	27	30
Property Taxes	24	30	42	59	57	74	38	48	60	84	120
Estate duty	3	7	5	6	6	10	6	6	9	73	5
Wealth tax	18	18	31	44	43	55	25	29	42	6	100
Gift tax and other	3	5	6	9	8	9	7	13	9	5	15
Indirect Taxes	4,172	4,227	5,666	8,195	9,982	11,671	13,390	16,851	20,051	25,437	30,154
Customs Duties	1,406	1,312	2,644	4,169	4,918	5,164	6,139	8,390	10,123	12,572	13,952
Export taxes	-	142	1,060	1,876	1,042	738	82	345	286	446	250
Import taxes	1,358	1,149	1,544	2,265	3,836	4,348	6,000	7,967	9,837	12,126	13,702
Miscellaneous	48	21	30	28	40	78	57	78	/e	/e	/e
Sales Tax	607	482	460	692	1,075	1,190	1,363	1,590	1,935	2,410	3,088
On imported goods	438	332	270	465	763	886	1,124	1,266	1,628	2,014	2,648
On domestic production	170	149	190	227	312	313	239	324	307	396	440
Federal Excise Duties	2,022	2,119	2,265	2,792	3,674	4,579	5,127	6,284	6,917	9,702	11,680
Surcharges	136	314	235	591	531	985	1,056	877	1,076	753	1,434
Surcharge on natural gas	17	19	16	33	143	296	396	372	462	385	501
Surcharge on petroleum	90	265	169	343	79	344	423	285	455	211	506
Surcharge on fertilizers	-	-	16	171	293	345	237	220	159	157	427
Other	30	31	34	44	16	-	-	-	-	-	-
Total Tax Revenue (Gross)	5,111	5,494	6,768	9,445	11,429	13,915	16,112	19,751	23,475	30,698	36,803
Less Transfers:	897	861	874	957	1,620	2,762	3,117	3,486	4,136	6,050	7,809
Provincial share	(897)	(861)	(874)	(932)	(1,595)	(2,737)	(3,092)	(3,486)	(4,136)	(6,050)	(7,809)
AJK Government	(-)	(-)	(-)	(25)	(25)	(25)	(25)	(-)	(-)	(-)	(-)
Net Tax Revenues	4,214	4,633	5,894	8,538	10,025	11,409	13,290	16,555	19,339	24,648	28,994

/a Provisional.
/b Budget estimates.
/c Taxes on income realized under Special Martial Law regulations.
/d 2% tax on income of industrial establishments having annual income of Rs 100,000 or more imposed since 1972/73.
/e Included elsewhere.

Source: Ministry of Finance and Economic Affairs.

Table 5.6: COMPOSITION OF PROVINCIAL GOVERNMENTS' TAX REVENUES, 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79/a	1979/80/a	1980/81/b
Provincial Tax Revenues	534	627	729	992	1,193	1,398	1,377	1,544	1,618	1,809	1,880
Direct Taxes	269	340	343	415	472	556	418	442	554	497	503
Land revenue/c	138	155	167	196	228	260	136	125	291	172	153
Motor vehicle tax	69	109	109	121	142	165	171	183	263	325	350
Property tax	50	67	64	91	97	122	100	101	/e	/e	/e
Other/d	12	9	3	7	5	9	11	33	/e	/e	/e
Indirect Taxes	264	287	386	577	721	842	959	1,102	1,102	1,064	1,377
Provincial excise	54	58	61	93	121	147	142	73	75	23	21
Stamps	115	92	139	178	266	333	338	442	528	450	496
Registration	6	5	7	13	23	41	37	57	84	74	79
Entertainment duties	52	83	60	86	85	109	184	166	/f	/f	/f
Electricity duties	27	38	27	47	9	6	58	93	/f	/f	/f
Others	9	11	92	160	217	206	200	271	377	765	781
Share of Federal Taxes	897	861	874	932	1,595	2,737	3,092	3,486	4,136	6,050	7,809
Total Tax Revenues	1,431	1,488	1,603	1,924	2,788	4,135	4,469	5,030	5,754	7,859	9,689

/a Provisional.
/b Budget estimates.
/c Net of irrigation share; also includes surcharge on land revenue.
/d Capital gains tax and betterment levies.
/e Included under "Land Revenue."
/f Included under "Other."

Source: Ministry of Finance and Economic Affairs.

Table 5.7: NEW TAXATION, 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
Federal Government	395	362	263 /a	520 /a	-1,053 /a	261 /a	1,094 /a	668 /a	620	3,962	1,712
	8	-19	2	490	-945	145	939	500	-107	864	202
Excise duties	222	184	126	-	-	6	60	228	277	2,461	610
Taxes on income	145	173	97	-20	-105	-24	-84	-2	99	-30	500
Sales tax	46	-	23	50	-3	-	160	40	-4	201	88
Surcharges	-29	-	-	-	-	-	-	-	185	400	-
Wealth tax	3	2	15	-	-	-1	-26	-	-	-	-
Estate duty	-	1	1	-	-	-	-	-1	-	-7	-
Postage	-	21	-	-	-	45	-	-	-	73	-
Passport fees	-	-	-	-	-	-	-	50	-	-	-
T&T	-	-	-	-	-	90	45	213	300	-	312
Airport fees	-	-	-	-	-	-	-	-	55	-	-
Provinces	-	50	34	86	35	158	80	182 /b	167 /c	3	12
Punjab	-	43	-	61	6	41	10	75	68	-	6
Sind	-	-	27	25	29	83	70	63	32	-	3
NWFP	-	7	7	-	-	23	-	30	46	3	2
Baluchistan	-	1	-	-	-	11	-	14	21	-	1
Autonomous Bodies	-	50	40	80	146	340	10	874	550	802	-
WAPDA	-	50	-	80	86	190	-	250	550	667	-
Railways	-	-	40	-	60	130	-	239	-	125	-
PTV and PRC	-	-	-	-	-	20	10	25	-	-	-
Total	395	462	337	686	-872	-759	1,184	1,724	1,522 /d	4,767	1,724

/a As announced in the original budget. Does not include the effects of post-budget adjustments.
/b Actual amounts authorized by the Provincial Assemblies were up to Rs 172 million.
/c Actual amounts authorized by Provincial Governments were Rs 69 million.
/d The budget measures also provided for a reduction of subsidies to the textile industry and refineries amounting to Rs 565 million.

Source: Ministry of Finance and Economic Affairs.

Table 5.8: COMPOSITION OF CONSOLIDATED NON-DEVELOPMENT CURRENT EXPENDITURES, 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79/a	1979/80/a	1980/81/b
General administration	745	756	870	1,110	1,312	1,627	1,844	1,872	2,200	2,331	2,505
Defense	3,000	3,725	4,400	4,949	6,914	8,103	8,120	9,674	10,168	12,655	14,500
Law and order	319	324	443	605	1,155	1,187	1,384	1,480	1,660	1,785	1,981
Community services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	769	1,165	1,267	1,408
Social services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,133	3,275	3,979	4,734
Economic services	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,331	2,951	2,717	2,939
Subsidies/c	101	124	188	2,465	2,974	1,961	1,220	1,774	3,601	3,821	3,015
Debt servicing	677	1,045	1,250	1,586	1,763	2,455	2,791	3,356	4,031	4,967	5,458
Other/d	1,386	1,541	1,972	2,307	3,305	4,154	4,450	639	181	150	475
Total	6,228	7,515	9,123	13,022	17,423	19,487	19,809	25,028	24,232	33,672	37,015

/a Provisional.
/b Budget estimates.
/c Until 1972/73, includes subsidies on domestic wheat only. Subsidies on imported wheat financed by using Pakistan's own foreign exchange reserves were included in non-development capital expenditures until 1973/74, although they are current expenditures. Subsidies on wheat under foreign assistance were also not shown in the budget. As from 1973/74 all subsidies on wheat are classified as non-development revenue expenditure. For details of subsidies see Table 5.11.
/d Including community, social and economic services through 1976/77.

Source: Ministry of Finance and Economic Affairs.

Table 5.9: CONSOLIDATED GOVERNMENT SUBSIDIES,/a 1970/71-1980/81

(million rupees)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79/b	1979/80/b	1980/81/c
In Non-Development Expenditures	183	207	930	2,209	2,728	1,713	1,111	1,686	3,601	3,821	3,015
Food	101	124	920	2,186	2,562	1,552	1,111	1,655	3,101	3,257	2,333
Wheat	101	124	920	1,917	1,552	1,552	1,107	1,634	2,513	2,353	1,215
Federal	(101)	(124)	(920)	(1,695)	(1,964)	(1,180)	(635)	(966)	(1,955)	(1,380)	(336)
Provincial	(-)	(-)	(-)	(222)	(155)	(363)	(472)	(668)	(558)	(973)	(879)
Edible Oil /d	-	-	-	269	443	-	-	-	(- 577)	(884)	(1,118)
Sugar	-	-	-	-	-	-	4	21	11	20	-
Federal	(-)	(-)	(-)	(-)	(-)	(-)	(4)	(-)	(-)	(-)	(-)
Provincial	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(21)	(11)	(20)	(-)
Other	82	83	10	279	411	409	109	31	500	564	682
Export Rebate	-	-	-	-	-	-	-	-	500	550	650
Other	82	83	10	23	166	161	-	31	-	14	32
In Development Expenditures											
Agricultural Inputs	128	127	381	203	454	897	562	1,026	1,991	2,723	2,602
Fertilizers	98	72	228	118	326	607	87	617	1,692	2,454	2,448
Plant Protection	30	54	128	63	112	241	421	347	267	218	62
Federal	(30)	(54)	(128)	(63)	(112)	(140)	(294)	(93)	(79)	(71)	(43)
Provincial	(-)	(-)	(-)	(-)	(-)	(101)	(127)	(254)	(188)	(147)	(19)
Tubewells	-	1	22	10	16	43	48	37	24	22	48
Federal	(-)	(1)	(22)	(10)	(16)	(24)	(24)	(9	(12)	(11)	(24)
Provincial	(-)	(-)	(-)	(-)	(-)	(19)	(24)	(28)	(12)	(11)	(24)
Seeds	-	-	3	12	-	6	6	25	8	29	44
Federal	(-)	(-)	(3)	(12)	(-	(6)	(3)	(2)	(-)	(-)	(-)
Provincial	(-)	(-)	(-)	(-)	(-)	(-)	(3)	(23)	(8)	(29)	(44)
Total Subsidies	311	335	1,311	2,412	3,182	2,610	1,673	2,712	5,592	6,544	5,617
Federal	311	335	1,311	2,190	3,027	2,127	1,047	1,718	4,819	5,368	4,655
Provincial	-	-	-	222	155	483	626	994	773	1,176	962

/a All subsidies other than those shown against Provincial Governments are borne by the Federal Government.
/b Provisional.
/c Budget estimates.
/d Gross subsidy, i.e., excludes excise duties on vegetable ghee which are shown under gross tax revenues.

Sources: Ministry of Finance and Economic Affairs and Bank staff estimates.

Table 5.10: ANNUAL DEVELOPMENT PLAN CLASSIFIED BY SECTORS, 1971/72-1980/81

(million rupees)

	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
Agriculture	225	551	687	956	1,052	1,347	1,421	2,445	3,297	3,879
Water	192	351	583	1,047	1,244	1,852	1,556	1,747	1,610	2,146
Power	377	532	907	2,008	2,316	2,422	2,646	2,935	3,239	4,020
Industry	78	249	630	1,559	1,239	3,466	4,593	4,575	4,057	4,074
Fuels and Minerals	57	113	315	630	751	429	587	664	835	1,596
Transport and Communications	438	622	1,285	2,148	2,412	3,175	3,158	3,760	3,822	4,868
Physical Planning and Housing	126	268	476	949	1,209	1,277	1,273	1,534	1,427	1,831
Education	124	210	318	534	706	566	647	772	891	1,292
Health	57	96	176	363	629	540	512	569	717	942
Population Planning	26	27	103	145	189	183	105	114	169	160
Social Welfare	7	7	11	13	16	18	17	17	32	38
Manpower	3	6	35	53	30	23	18	39	59	45
Works Program/Rural Development	37	117	148	154	193	181	123	214	203	507
Indus Basin/Tarbela	905	719	741	812	915	619	436	1,031	1,052	1,007
Miscellaneous	2	2	-	-	243	141	58	69	90	258
Gross Total	2,654	3,869	6,417	11,372	13,144	16,239	17,150	20,485	21,597	26,662

Source: Ministry of Finance and Economic Affairs.

Table 6.1: MONETARY SURVEY, 1974-80/a

(million rupees)

	July 5, 1974	June, 1975	June, 1976	June, 1977	June, 1978	June, 1979	June, 1980 /b
Foreign Assets (Net)	3,175	2,167	2,234	- 566	2,503	638	2,664
Foreign assets (Gross)	3,745	2,982	3,325	819	4,395	2,441	6,818
Foreign liabilities	570	815	1,091	1,385	1,892	1,803	4,154
Credit to Public Sector (Net)	14,617	17,673	22,913	29,534	34,389	43,205	48,802
Central Government	12,903	15,042	19,318	25,227	29,864	39,023	44,280
Claims on Central Government	13,597	15,930	20,300	26,446	31,128	40,654	45,730
Budgetary support	(12,690)	(14,056)	(18,408)	(24,803)	(29,356)	(38,034)	(42,652)
Commodity operations	(907)	(1,874)	(1,892)	(1,643)	(1,772)	(2,620)	(3,078)
Deposits with banks (-)	694	888	982	1,219	1,264	1,631	1,450
Provincial Governments	1,714	2,631	3,595	4,307	4,525	4,182	4,522
Claims on Provincial Govts.	2,174	2,973	4,009	4,783	5,097	4,805	5,180
Budgetary support	(944)	(1,175)	(1,119)	(1,258)	(1,800)	(1,278)	(1,068)
Commodity operations	(1,230)	(1,798)	(2,890)	(3,525)	(3,297)	(3,527)	(4,112)
Deposits with banks (-)	460	342	414	476	572	623	658
Credit to Private Sector	13,103/c	15,991/c	17,755	23,028	26,510	30,906	36,930
Credit to Public Sector Enterprises	2,477	3,742	5,351	7,115	9,196	11,768	13,682
Counterpart Funds (-)	1,855	2,106	2,099	2,171	2,272	2,526	2,317
Long-Term foreign borrowings	- 760	- 744	- 959	- 847	- 816	- 848	- 876
Other items (Net)	- 2,769	- 3,661	- 3,556	- 4,421	- 5,948	- 6,718	- 7,745
Domestic liquidity/d	27,988	33,062	41,639	51,672	63,562	76,425	91,140
Money Supply	20,156	22,645	27,669	35,153	42,091	51,770	60,799
Currency	(9,591)	(10,261)	(12,591)	(15,422)	(18,209)	(23,741)	(27,723)
Demand Deposits	(10,565)	(12,382)	(15,076)	(19,781)	(23,882)	(28,029)	(33,076)
Time and savings deposits	7,832	10,419	13,970	16,519	21,471	24,655	30,341

/a As of last Friday up to June 1976 and last Thursday thereafter.
/b Provisional.
/c Includes import bills pertaining to public sector enterprises for which separate data are not available.
/d Domestic liquidity is equal to Foreign Assets (Net), Credit to the Public Sector (Net), Credit to the Private Sector, and Credit to Public Sector Enterprises, minus Counterpart Funds, Long-Term Foreign Borrowing and Other Items.

Note: The money data in this table are derived from the SBP Monetary Survey's "Currency plus demand deposits" by subtracting (a) PRs 181.5 million for all dates as an adjustment for estimated Treasury notes and coins in (the then) East Pakistan in December 1971; and (b) PRs 710.2 million for July 5, 1974, PRs 3 million for June 1975, and nothing thereafter, as adjustment for unrecovered State Bank notes which are no longer legal tender; counter-entries for these adjustments have been made in "Other items (Net)." The money data exclude, and "Other items (Net)" include, the Housing Credit Fund, which was formerly included in demand deposits with the SBP. The money and foreign liabilities data for prior to July 1977 have been corrected to exclude and include, respectively, foreign currency deposits at the SBP.

The data in the table have been revised in accordance with the understanding reached with the IMF in May 1980. Accordingly, Post Office Savings Bank Deposits which were included in "Domestic Liquidity" and "Credit to Public Sector (Net)" have been excluded from these categories. Counterpart Funds which were included in "Credit to Public Sector (Net)" are now shown separately as an independent item. The adjustment for payments of progressive subscription amounts to Asia Development Bank, which was included in "Credit to Public Sector (Net)" and "Foreign Assets (Net)," is now excluded.

The quasi-money data are derived from the SBP Monetary Survey's "Time and savings deposits," minus Post Office Savings Bank deposits.

The foreign assets data are derived from the SBP Monetary Survey's "Foreign assets (net)" by (a) subtracting import bills, which have been added as appropriate under "Claims on the private sector" or "Claims on public enterprises" and (b) in adjustment for the change in the book value of gold, for which a counter-entry has been made in "Other items." The excluded gold revaluations were initiated on May 7, 1978. Gold which was valued at $42.22 per fine ounce is now officially valued at the price prevailing in the London market on the last working day of each month.

The budgetary support data are derived from the SBP Monetary Survey's "Public sector (net credit)" by subtracting (a) credit for commodity operations, (b) Post Office Savings Bank deposits, (c) PRs 78 million for June 30, 1977, PRs 428 million from July 1978, PRs 734 million from June 1979 and PRs 866 million from May 1980 onwards representing ad-hocs and securities created due to revaluation of IMF rupee holdings; and by adding (d) PRs 339.9 million for July 2, 1976, and thereafter representing retirement ad-hocs against profits for revaluation of IMF rupee holdings, and (e) Government deposits with commercial banks. Counter-entries for items (c) and (d) have been made in "other items." The SBP Monetary Survey's "Public sector (net credit)" entry excludes SBP contributions to the share capital of the Equity Participation Fund and the Small Business (formerly People's) Finance Corporation.

Counterpart Funds have been excluded from claims on Government (net) and budgetary support, and shown as a separate item.

Table 6.2: FACTORS AFFECTING DOMESTIC LIQUIDITY, 1974/75-1979/80

(million rupees)

	1974/75 /a	1975/76	1976/77	1977/78	1978/79	1979/80 /b
Foreign Assets	-1,008	67	-2,800	3,069	-1,865	2,026
Domestic Credit (Net)	6,082	8,510	12,833	8,821	14,728	12,689
Credit to Public Sector (Net)	3,056	5,240	6,621	4,855	8,816	5,597
Budgetary support	1,597	4,296	6,534	5,095	8,156	4.408
Commodity operations	1,535	1,110	386	-99	1,078	1,043
Deposits	-76	-166	-299	-141	-418	146
Credit to Private Sector	2,888 /c	2,005 /c	5,273	3,482	4,396	6,024
Credit to Public Sector Enterprises	1,265 /c	1,368 /c	1,764	2,081	2,572	1,914
Counterpart Funds	-251	7	-72	-101	-254	209
Other Credit Items (Net)	-876	-110	-753	-1,496	-802	-1,055
Long-term foreign borrowings	16	-215	112	31	-32	-28
Other	-892	105	-865	-1,527	-770	-1,027
Domestic Liquidity /d	5,074	8,577	10,033	11,890	12,863	14,715
Money	2,487	5,026	7,484	6,938	9,679	9,029
Currency	(670)	(2,330)	(2,831)	(2,787)	(5,532)	(3,982)
Demand deposits	(1,817)	(2,696)	(4,653)	(4,151)	(4,147)	(5,047)
Time and savings deposits	2,587	3,551	2,549	4,952	3,184	5,686

/a Changes over the period July 6, 1974 to June 27, 1975.
/b Provisional figures.
/c Private sector includes the effect of some changes in import bills relating to public sector enterprises for which separate data is not available.
/d Foreign assets plus domestic credit.

Source: State Bank of Pakistan.

Table 6.3: INTEREST RATES ON BANK DEPOSITS AND ADVANCES, 1972-80

(percentages)

	June 30								
	1972	1973	1974	1975	1976	1977	1978	1979	1980
Interest Rates on Bank Deposits									
Special Notice Deposits									
Deposits withdrawable at notice of 7-29 days	3.00	4.00	4.00	4.00	5.00	5.50	5.50	5.50	5.50
Deposits withdrawable at notice of 30 days or over	3.25	4.25	4.25	4.25	6.00	6.50	6.50	6.50	6.50
Savings Bank Deposits									
Accounts with checking facilities	4.00	5.00	6.00	6.00	6.50	7.50	7.50	7.50	7.50
Accounts without checking facilities	4.50	5.50	6.75	7.50	8.00	8.50	8.50	8.50	8.50
Fixed (or term) Deposits									
For 3 months and over but less than 6 months	4.50	5.50	6.75	7.50	8.00	9.00	9.00	9.00	9.00
For 6 months and over but less than 1 year	4.75	5.57	7.25	8.00	8.50	9.50	9.50	9.50	9.50
For 1 year and over but less than 2 years	5.00	6.00	8.00	9.00	9.50	10.50	10.50	10.50	10.50
For 2 years and over but less than 3 years	5.50	6.50	8.50	9.50	10.00	11.00	11.00	11.00	11.00
For 3 years and over but less than 4 years	6.00	7.00	9.00	10.00	11.25	11.75	11.75	11.75	11.75
For 4 years and over but less than 5 years	6.00	7.00	9.00	10.50	11.25	12.25	12.25	12.25	12.25
For 5 years and over	6.00	7.00	9.00	11.00	11.75	12.75	12.75	12.75	12.75
Interest Rates on Bank Advances									
Ceilings on Advance Rates									
General	10.0/a	10.00/a	11.00/a	13.00	13.00	14.00	14.00	14.00	14.00
Fixed industrial investment	10.0/a	10.00/a	11.00/a	13.00	13.00	14.00	12.50	11.00	11.00
Fixed agricultural investment	10.0/a	10.00/a	11.00/a	13.00	13.00	14.00	11.00	11.00	11.00
Export finance/b	n.a.	7.00	9.00	10.00	10.00	10.00	6.00	3.00	3.00
(SBP refinance rate)	n.a.	4.00	6.00	7.00	7.00	7.00	3.00	0.00	0.00
Minimum Advance Rates									
Finished goods (except capital goods)	n.a.	10.00	11.00	12.00	12.00	13.00	13.00	13.00	13.00
Other advances	n.a.	10.00	11.00	10.00	10.00	11.00	11.00	11.00	11.00
Weighted Average Interest Rates									
Deposits	3.38	3.59	3.94	4.67	5.30	6.32	6.23	6.11	6.16
Quasi-money deposits	4.90	5.76	7.32	8.18	8.79	9.05	9.24	n.a.	n.a.
Advances	8.65	8.54	9.48	10.81	10.92	11.68	11.80	11.62	11.58
Call (inter bank) money rate	5.35	5.25	8.48	10.63	9.40	10.03	11.20	8.99	8.97
Bank Rate	6.00	6.00	8.00	9.00	9.00	10.00	10.00	10.00	10.00

/a Ceilings for small banks are 1% higher than shown above.
/b Prior to May 26, 1976, the export finance scheme was limited to non-traditional and newly-emerging exports. Since then the scheme has covered all exports except raw cotton, rice, wool, hides and skins and wet-blue leather. The rate for machinery exports is 1% lower than this.

n.a. Not available.

Source: State Bank of Pakistan

Table 7.1: INDICES OF AGRICULTURAL PRODUCTION, 1969/70-1979/80

(1959/60=100)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 /a
Food Crops	177	164	170	181	190	183	207	212	208	238	246
Rice	236	220	221	233	246	230	262	275	296	328	321
Wheat	186	166	176	190	195	196	224	229	212	254	278
Barley	76	64	71	76	98	95	93	88	86	93	90
Jowar (sorghum)	117	145	138	134	168	118	123	114	125	110	106
Bajra (millet)	92	108	109	92	107	81	93	94	97	97	84
Maize	150	162	159	159	172	168	180	171	184	179	113
Gram	84	81	84	91	101	88	97	105	100	100	49
Non-Food Crops	214	195	169	163	188	171	193	224	223	212	207
Sugarcane	248	218	189	189	226	201	240	277	282	281	258
Rape and mustard	107	112	113	119	121	103	112	124	98	117	108
Sesamum	83	133	183	133	167	100	133	150	167	183	233
Tobacco	204	197	153	113	116	136	106	131	130	132	120
Cotton	185	188	245	243	228	220	176	149	197	162	256
All Crops	186	174	183	188	196	187	199	203	209	219	240

/a Provisional.

Source: Ministry of Finance and Economic Affairs.

Table 7.2: ACREAGE UNDER CULTIVATION, 1969/70-1979/80

(thousand acres)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Foodgrains/Cereals											
Rice	4,008	3,715	3,599	3,656	3,736	3,964	4,225	4,323	4,693	5,005	5,026
Wheat	15,393	14,771	14,325	14,754	15,105	14,363	15,100	15,790	15,716	16,525	16,971
Bajra (Millet)	1,560	1,853	1,876	1,512	1,812	1,347	1,542	1,601	1,584	1,627	1,389
Jowar (Sorghum)	1,212	1,378	1,253	1,236	1,456	1,100	1,176	1,105	1,284	1,159	1,122
Maize	1,600	1,581	1,563	1,594	1,563	1,516	1,532	1,542	1,621	1,607	1,733
Barley	399	348	387	406	506	479	459	431	412	439	n.a.
Pulses											
Gram	2,293	2,259	2,383	2,514	2,738	2,462	2,640	2,705	2,716	3,025	2,795
Mash	77	98	108	87	109	128	144	122	131	120	159
Masoor	163	151	157	193	238	186	180	196	221	262	n.a.
Mung	146	173	177	154	169	154	166	160	162	163	177
Other Pulses	631	574	680	653	766	471	518	603	587	573	n.a.
Oilseeds											
Rape and Mustard	1,184	1,260	1,399	1,319	1,324	1,116	1,162	1,282	1,019	1,070	n.a.
Sesamum	56	76	103	73	81	56	70	75	78	113	106
Cottonseed	4,338	4,285	4,837	4,967	4,559	5,019	4,576	4,608	4,555	4,673	5,026
Groundnuts	105	75	102	77	94	100	108	111	125	90	101
Cash Crops											
Cotton (Lint)	4,338	4,283	4,837	4,967	4,559	5,019	4,576	4,608	4,555	4,673	5,026
Sugarcane	1,532	1,572	1,365	1,318	1,595	1,663	1,729	1,947	2,032	1,860	1,775
Tobacco	149	150	125	108	115	134	111	125	131	118	n.a.
Condiments and Spices											
Onion	58	58	60	43	58	73	76	75	79	94	n.a.
Garlic	4	5	6	5	5	5	4	5	9	12	n.a.
Chillies	74	76	92	89	79	84	127	124	128	152	n.a.
Vegetables											
Potatoes	42	51	57	58	58	68	71	64	74	93	102
Other Vegetables	246	275	302	314	334	331	299	267	292	315	n.a.

/a Provisional, except cotton and groundnut.

n.a. Not available.

Source: Ministry of Food, Agriculture and Cooperatives.

Table 7.3· AGRICULTURAL PRODUCTION, 1969/70-1979/80

(thousand metric tons)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Foodgrains/Cereals											
Rice	2,401	2,200	2,262	2,330	2,455	2,314	2,618	2,737	2,950	3,272	3,164
Wheat	7,294	6,476	6,890	7,442	7,629	7,673	8,691	9,144	8,367	9,793	10,584
Bajra (millet)	302	355	360	304	351	266	308	311	318	317	367
Jowar (sorghum)	284	329	312	302	378	266	281	261	284	252	289
Maize	667	717	705	706	767	747	802	764	821	798	861
Barley	104	91	103	109	139	137	130	124	121	129	n.a
Pulses											
Gram	506	494	510	553	610	550	601	649	614	538	305
Mash	15	19	20	17	22	26	29	25	27	24	33
Masoor	22	21	22	27	34	26	28	30	34	39	39
Mung	25	33	36	30	32	28	32	29	30	30	33
Other Pulses	112	102	123	122	138	84	93	109	107	105	108
Oilseed											
Rape and mustard	255	267	301	287	292	248	267	296	236	243	266
Sesamum	8	10	14	10	12	8	11	12	13	19	18
Cottonseed	1,071	1,085	1,415	1,403	1,317	1,268	1,027	870	1,149	962	1,458
Groundnut	62	45	57	45	54	57	62	64	72	46	49
Cash Crops											
Cotton (lint)/b	3,015	3,050	3,979	3,947	3,704	3,567	2,890	2,446	3,233	2,662	4,096
Sugarcane	26,370	23,167	19,963	19,947	23,911	21,242	25,547	29,523	30,077	27,324	27,068
Tobacco	117	113	87	63	66	77	58	73	73	68	n.a
Condiments and Spices											
Onions	244	247	253	187	240	303	323	331	325	383	n.a.
Garlic	19	17	26	24	23	24	16	18	28	39	n.a.
Chillies	42	43	52	57	51	52	79	78	81	99	n.a.
Vegetables											
Potatoes	179	229	253	241	239	290	321	318	294	392	435
Other vegetables	1,254	1,397	1,556	1,661	1,715	1,701	1,524	1,325	1,460	1,594	n.a.

/a Provisional
/b Thousand bales.

n.a. Not available.

Source: Ministry of Food, Agriculture and Cooperatives.

Table 7.4: YIELD PER ACRE OF AGRICULTURAL CROPS, 1969/70-1979/80

(maunds per acre)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 /a
Foodgrains/Cereals											
Rice	16.1	15.9	16.8	17.1	17.6	15.6	16.6	17.0	16.8	17.5	17.1
Wheat	12.7	11.7	12.9	13.5	13.5	14.3	15.4	15.5	14.3	16.1	17.0
Bajra (millet)	5.1	5.1	5.1	5.4	5.2	5.2	5.3	5.2	5.4	5.2	5.3
Jowar (sorghum)	6.3	6.4	6.7	6.5	7.0	6.5	6.4	6.3	5.9	5.8	6.0
Maize	11.1	12.2	12.1	11.9	13.1	13.2	14.0	13.3	13.6	13.3	13.5
Barley	7.1	7.0	7.1	7.2	7.4	7.7	7.6	7.7	7.8	7.9	n.a.
Pulses											
Gram	5.2	5.9	5.7	5.9	6.0	6.0	6.1	6.4	6.1	4.8	3.0
Mash	5.2	5.3	5.1	5.4	5.5	5.5	5.5	5.5	5.6	5.5	5.7
Masoor	3.7	3.8	3.9	3.8	3.8	3.8	4.2	4.2	4.0	4.0	n.a
Mung	4.6	5.1	5.4	5.2	5.0	4.9	5.1	5.0	5.1	4.9	5.1
Oilseeds											
Rape and mustard	5.8	5.7	5.8	5.8	5.9	6.0	6.2	6.2	6.2	6.2	n.a.
Sesamum	3.7	3.7	3.5	3.5	4.1	3.9	4.1	4.3	4.3	4.4	4.5
Cottonseed	6.6	6.8	7.8	7.6	7.7	6.8	6.0	5.1	6.8	5.5	7.6
Groundnuts	15.8	16.0	15.1	15.4	15.4	15.3	15.3	15.4	15.5	13.5	13.4
Condiments and Spices											
Onions	112.6	113.0	113.6	115.4	111.2	111.1	113.9	119.1	111.0	109.0	n.a.
Garlic	124.7	99.1	122.6	134.2	129.7	128.3	99.2	98.1	85.7	86.0	n.a.
Chillies	14.9	15.0	15.2	17.0	17.0	16.6	16.7	16.9	17.0	17.0	n.a.
Cash Crops											
Cotton (lint)	3.3	3.4	3.9	3.8	3.9	3.4	3.0	2.5	3.4	2.7	3.7
Sugarcane	461.1	394.9	391.9	405.2	402.0	342.3	95.8	406.3	396.6	393.7	414.0
Tobacco	20.9	20.2	18.6	15.5	15.3	5.3	14.1	15.6	15.2	15.4	n.a.
Vegetables											
Potatoes	114.1	122.7	119.7	112.1	110.5	113.3	121.6	133.8	106.8	112.5	114.0
Other	136.5	136.1	138.0	141.9	127.4	137.4	136.6	133.0	134.0	136.0	n.a.

/a Provisional.

n.a. Not available.

Source: Ministry of Food, Agriculture and Cooperatives.

Table 7.5: ACREAGE AND PRODUCTION OF RICE BY VARIETY,/a 1964/65-1979/80

	Basmati			Coarse			Irri - Pak			Total			
	Acres ('000)	Production ('000 metric tons)	Mds. Per Acre	Acres ('000)	Production ('000 metric tons)	Mds. Per Acre	Acres ('000)	Production ('000 metric tons)	Mds. Per Acre	Acres ('000)	Production ('000 metric tons)	Mds. Per Acre	Tons Per Acre
1964/65	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,350	1,350	10.8	0.403
1965/66	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,443	1,317	10.2	0.382
1966/67	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,483	1,365	10.5	0.392
1967/68	n.a.	491	n.a.	n.a.	996	n.a.	10	12	32.7	3,508	1,499	11.4	0.427
1968/69	1,153	574	13.3	1,928	806	11.2	761	652	23.0	3,842	2,032	14.2	0.529
1969/70	1,200	594	13.3	1,569	780	13.3	1,239	1,026	22.2	4,008	3,417	16.1	0.599
1970/71	1,075	412	10.3	1,280	730	15.3	1,360	1,059	20.9	3,715	2,200	15.9	0.592
1971/72	820	384	12.5	979	469	12.8	1,800	1,408	21.0	3,599	2,262	16.8	0.628
1972/73	835	400	12.8	1,222	675	14.8	1,599	1,255	21.0	3,656	2,330	17.1	0.637
1973/74	926	486	14.1	1,185	670	15.5	1,652	1,300	21.1	3,736	2,455	17.6	0.657
1974/75	1,220	603	13.2	1,185	605	13.7	1,559	1,106	19.0	3,964	2,313	15.6	0.583
1975/76	1,324	642	13.0	1,257	685	14.6	1,644	1,290	21.0	4,225	2,617	16.6	0.620
1976/77	1,310	660	13.5	1,338	761	15.2	1,675	1,311	21.0	4,323	2,737	17.0	0.633
1977/78	1,273	560	11.8	1,314	718	14.6	2,106	1,671	21.3	4,693	2,950	16.8	0.629
1978/79	1,675	878	14.0	821	445	14.5	2,509	1,949	20.8	5,005	3,272	17.5	0.653
1979/80/b	1,925	887	12.3	719	370	13.8	2,382	1,958	22.0	5,026	3,215	17.1	0.640

/a With the exception of about 75,000 acres, all the rice is irrigated
/b Provisional

n.a. Not available

Source: Ministry of Finance and Economic Affairs

Table 7.6: ACREAGE AND PRODUCTION OF WHEAT BY VARIETY, 1964/65-1979/80

	Local Variety			Mexi-Pak Variety			Total			
	Acres ('000)	Production ('000 metric tons)	Mds. Per Acre	Acres ('000)	Production ('000 metric tons)	Mds. Per Acre	Acres ('000)	Production ('000 metric tons)	Mds. Per Acre	Tons Per Acre
1964/65	13,140	4,590	9.0	-	-	-	13,140	4,590	9.0	0.350
1965/66	12,738	3,916	8.2	-	-	-	12,738	3,916	8.2	0.308
1966/67	13,205	4,334	8.8	-	-	-	13,205	4,334	8.8	0.328
1967/68	12,420	4,183	9.0	2,365	2,235	25.3	14,785	6,418	11.6	0.444
1968/69	9,371	2,680	7.6	5,850	3,937	18.0	15,221	6,617	11.6	0.435
1969/70	8,767	2,541	7.8	6,626	4,753	19.2	15,393	7,294	12.7	0.474
1970/71	7,040	1,693	6.4	7,731	4,783	16.6	14,771	6,476	11.7	0.439
1971/72	6,204	1,628	7.0	8,122	5,263	17.4	14,325	6,891	12.9	0.481
1972/73	6,412	1,883	7.9	8,342	5,559	17.9	14,754	7,441	13.5	0 504
1973/74	6,517	1,900	7.8	8,588	5,728	17.9	15,105	7,628	13.5	0.505
1974/75	5,163	1,570	8.1	9,200	6,103	17.7	14,363	7,673	14.3	0.534
1975/76	5,177	1,726/a	8.9	9,923	6,965	18.8	15,100	8,691	15.4	0.575
1976/77	4,425	1,237	7.5	11,365	7,906	18.6	15,790	9,143	15.5	0.580
1977/78	4,140	1,261	8.2	11,576	7,106	16.4	15,716	8,367	14.3	0.532
1978/79	3,979	1,443	9.7	12,551	8,501	18.1	16,525	9,950	16.1	0.603
1979/80/b	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	16,971	10,753	17.0	0.634

/a Includes production of unsurveyed areas of Sind (6,800 tons) for which areas figures are not available.
/b Provisional.

n.a. Not available.

Source: Ministry of Finance and Economic Affairs.

Table 7.7: FOODGRAIN UTILIZATION, 1969/70-1979/80

(thousand metric tons)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Stocks at the beginning of the year/a	433	433	622	451	236	600	984	1,071	922	637	1,057
Production/b	10,375	10,986	10,218	10,642	11,533	11,355	11,811	12,899	13,637	13,136	14,697
Seed, feed and wastage/c	1,023	1,101	1,020	1,056	1,152	1,126	1,167	1,267	1,338	1,273	1,432
Imports/d	125	273	446	1,487	1,047	1,192	1,293	540	822	2,112	685
Exports/e	88	181	199	786	591	477	784	924	822	1,015	1,087
Foodgrain shipment from West to East Pakistan	382	352	173	-	-	-	-	-	-	-	-
Stocks at the end of the year	433	622	451	236	600	984	1,071	929	637	1,057	1,377
Availability	9,007	9,436	9,443	10,492	10,578	10,558	10,066	11,380	12,584	12,540	11,926
Population (million)	59.70	61.50	63.34	65.24	67.20	69.21	71.29	73.43	75.62	77.86	80.16
Annual per capita consumption (kgs)	150.87	153.43	149.08	160.82	157.41	152.55	155.22	155.11	166.41	161.06	148.78
Daily per capita consumption (gms)	413.34	420.36	408.44	440.60	431.26	417.95	425.26	424.96	455.92	441.25	407.60

/a These stocks comprise government stocks of wheat (as of the beginning of the wheat crop year, May 1) and rice (as of the beginning of the agricultural year, July 1).

/b Production in any agricultural year (July 1 - June 30) is assumed to be available for consumption in that year in the case of rice, maize, jowar and bajra. Production of wheat, however, is assumed to be available only in the following wheat crop year (May 1 - April 30).

/c Seed, feed and wastage are assumed to be 10% in the case of wheat; 6% in the case of rice; and 16% in the case of other foodgrains.

/d Imports comprise wheat imports during the specified wheat crop year (May 1 - April 30).

/e Exports comprise rice, maize and barley during the specified agricultural crop year (July 1 - June 30).

Source: Ministry of Finance and Economic Affairs.

Table 7.8: FERTILIZER BALANCE SHEET, 1970/71-1979/80

(thousand nutrient tons)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Opening Balance/b	153.7	167.0	43.6	63.5	312.2	344.1	269.4	183.3	159.1	247.0
Nitrogen	127.5	122.0	32.4	31.9	217.4	217.4	205.9	114.7	82.2	154.0
Phosphate	23.9	40.0	6.2	28.0	87.6	60.2	59.5	64.6	74.7	88.0
Potash	2.3	5.0	4.9	3.6	7.2	5.9	4.0	4.0	2.4	5.0
Local Production	132.2	219.9	289.9	303.9	316.5	326.7	324.9	327.6	480.0	413.0
Nitrogen	128.0	215.0	274.5	299.9	310.8	314.9	311.2	312.6	420.0	361.0
Phosphate	4.3	4.9	8.4	4.0	5.7	11.8	13.7	15.0	60.0	52.0
Potash	-	-	-	-	-	-	-	-	-	-
Imports	136.9	70.6	173.5	348.3	145.0	149.2	256.3	368.4	629.7	636.0
Nitrogen	102.4	70.6	111.5	228.4	116.7	58.3	118.4	208.5	396.8	448.0
Phosphate	29.5	-	62.0	113.6	27.6	90.0	135.4	155.9	221.3	163.0
Potash	5.0	-	-	6.3	0.7	0.9	2.5	4.0	11.6	25.0
Total Availability	422.9	457.5	490.0	715.7	773.7	820.0	850.6	879.3	1,109.7	1,296.0
Nitrogen	357.9	407.6	418.3	560.1	644.0	651.2	635.5	635.8	816.8	963.0
Phosphate	57.7	44.9	76.8	145.7	120.8	162.0	208.6	235.5	281.3	303.0
Potash	7.3	5.0	4.9	10.0	8.0	6.8	6.5	8.0	11.6	30.0
Consumption	283.2	381.9	436.5	403.4	425.9	550.6	629.0/c	720.0	862.7	1,044.0
Nitrogen	215.5	344.0/d	386.4	342.7	369.3	443.4	511.0	553.6	662.8	806.0
Phosphate	30.5	37.2	48.7	58.1	60.5	102.3	118.0	160.8	193.3	228.0
Potash	1.2	0.7	1.4	2.6	2.1	2.8	n.a.	5.6	6.6	10.0
Closing Balance/b	139.7	75.6	63.5	312.2	347.7	269.4	215.1/c	159.3	247.0	252.0
Nitrogen	106.4	63.4	31.9	217.4	281.6	205.9	124.5	82.2	154.0	157.0
Phosphate	27.2	7.7	28.0	87.6	60.3	59.5	90.6	74.7	88.0	75.0
Potash	6.1	4.3	3.6	7.2	5.8	4.0	n.a.	2.4	5.0	20.0

/a Estimated.
/b Closing and opening balance may not tally because of fertilizers in transit.
/c Excluding potash.
/d Exports to East Pakistan and Afghanistan amounting to 8,000 and 2.3 thousand nutrient tons, respectively, are excluded

n.a. Not available.

Source: Ministry of Finance and Economic Affairs.

Table 7.9. IRRIGATION WATER SUPPLY, 1960/61-1979/80

(million acre feet)

Year	Rim Station Inflows Kharif	Rim Station Inflows Rabi	Canal Head Withdrawals Kharif	Canal Head Withdrawals Rabi	Net System Loss (-) of Gains (+) Kharif	Net System Loss (-) of Gains (+) Rabi	Surface Availability at Farm Gate Kharif	Surface Availability at Farm Gate Rabi	Public Tubewell Availability Kharif	Public Tubewell Availability Rabi	Private Tubewell Kharif	Private Tubewell Rabi	Total Farm Gate Water Availability Kharif	Total Farm Gate Water Availability Rabi
1960/61	124.59	20.73	54.45	26.14	-9.68	+4.43	32.67	15.68	0.24	0.23	0.71	0.72	33.62	16.63
1961/62	119.14	20.96	55.84	27.22	-10.70	+2.35	33.38	16.34	0.28	0.26	1.05	1.04	34.71	17.64
1962/63	89.51	19.76	57.99	27.78	-9.50	+3.60	34.79	16.67	0.97	0.97	1.45	1.45	37.21	19.09
1963/64	119.20	21.53	62.15	27.17	-10.40	+4.80	37.29	16.30	1.07	1.07	1.97	1.96	40.33	19.33
1964/65	115.84	22.32	60.36	29.55	-15.50	+4.70	36.22	17.73	1.19	1.18	2.59	2.60	40.00	20.51
1965/66	117.16	21.06	65.08	26.17	+3.10	+3.30	39.05	15.70	1.24	1.23	3.32	3.33	43.61	20.26
1966/67	116.47	23.79	66.37	29.59	-4.40	+4.80	39.82	17.75	0.87	0.86	4.12	4.12	44.81	22.73
1967/68	120.00	25.50	61.72	32.98	+1.30	+4.60	37.03	19.79	0.99	0.98	4.87	4.88	42.89	25.65
1968/69	115.48	23.11	66.73	31.58	-3.20	+3.00	40.04	18.95	1.41	1.41	5.40	5.49	46.94	25.85
1969/70	114.15	19.69	69.19	30.66	-12.40	+4.60	41.51	18.40	1.77	1.77	6.03	6.02	49.31	26.19
1970/71	89.59	15.88	60.83	26.53	-8.70	+3.10	36.50	15.92	2.17	2.16	6.60	6.60	45.26	24.69
1971/72	87.94	15.61	60.60	26.05	-11.00	+5.20	36.36	15.63	2.24	2.24	7.32	7.31	45.92	25.18
1972/73	101.52	24.56	68.67	32.23	-10.30	+3.20	41.21	19.33	2.41	2.40	7.91	7.91	51.53	29.64
1973/74	143.90	19.21	63.42	32.65	-1.53	+9.25	38.05	19.59	2.70	2.70	8.51	8.51	49.26	30.80
1974/75	79.46	16.47	62.84	23.59	-10.30	+5.98	37.70	14.16	3.48	3.47	9.10	9.11	50.28	26.74
1975/76	114.35	21.95	62.91	36.00	-16.33	+10.00	37.75	21.60	3.08	3.08	9.71	9.72	51.55	34.39
1976/77	111.17	19.14	58.40	38.80	n.a.	n.a.	35.08	23.32	2.82	2.83	10.26	10.26	48.16	36.41
1977/78 /a	100.30	23.10	64.45	37.73	-12.63	+0.91	38.72	22.90	3.11	3.10	10.80	10.81	52.63	36.81
1978/79	137.36	26.39	60.10	36.53	n.a.	n.a.	36.06	21.92	3.31	3.31	11.40	11.39	50.77	36.62
1979/80	108.70	24.87	68.22	37.02	n.a.	n.a.	40.93	22.21	3.52	3.51	11.98	11.99	56.43	37.71

/a Losses have been assumed as 40% up to Nakka as against 30% assumed during the previous years.

n.a. Not available.

Source. Ministry of Finance and Economic Affairs

Table 7.10: SALE PRICES OF FERTILIZERS, 1969/70-1979/80

(rupees per long ton)

	1969/70	1970/71	1971/72	1972/73	1973/74/a	1974/75/b	1975/76/c	1976/77/d 1977/78	1978/79/e	1979/80/f
Nitrogen Fertilizers										
Ammonium sulphate (domestic)	260.00	340.00	340.00	355.00	500.00	680.00	620.00	630.00	590.00	815.00
Ammonium nitrate (domestic)	336.00	435.00	435.00	454.00	640.00	870.00	780.00	780.00	740.00	1,118.00
Ammonium sulphate (imported)	260.00	340.00	340.00	355.00	-	-	-	-	-	-
Ammonium sulphate-nitrate (imported)	295.00	360.00	360.00	385.00	620.00	870.00	790.00	790.00	740.00	n.a.
Urea (domestic)	582.00	630.00	630.00	777.00	1,100.00	1,660.00	1,360.00	1,280.00	1,280.00	1,904.00
Urea (imported)	529.54	570.00	570.00	702.50	-	1,500.00	1,360.00	1,280.00	1,280.00	1,904.00
Phosphate Fertilizers										
Super phosphate (domestic)	190.00	190.00	190.00	197.50	300.00	440.00	360.00	360.00	345.00	515.00/g
Triple super phosphate (imported)	407.23	400.00	400.00	430.00	680.00	1,100.00	920.00	920.00	870.00	-
Potash Fertilizers										
Muriate of potash (imported)	356.38	350.00	350.00	350.00	-	-	n.a.	n.a.	n.a.	-
Sulphate of potash (imported)	407.23	400.00	400.00	425.00	640.00	640.00	n.a.	n.a.	n.a.	604.00
Compound Fertilizers										
Nitro phosphate (imported)	427.62	420.00	420.00	562.00	1,100.00	1,300.00	1,000.00	1,000.00	945.00	1,590.00
Di-ammonium phosphate (imported)	570.00	560.00	560.00	710.00	1,140.00	1,500.00	1,440.00	1,440.00	1,360.00	2,038.00

/a Changes announced in August 1973.
/b There was a reduction of 12-1/2% in sale price from December 19, 1974 to January 31, 1975.
/c With effect from April 16, 1976.
/d With effect from December 6, 1976.
/e With effect from October 17, 1978.
/f With effect from February 24, 1980.
/g Single super phosphate.

n.a. Not available.

Sources: Ministry of Food, Agriculture and Cooperatives and Ministry of Finance and Economic Affairs.

Table 7.11: PROCUREMENT AND MINIMUM PRICES FOR AGRICULTURAL COMMODITIES, 1969/70-1979/80

(rupees/maund)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Wheat	17.00	17.00	17.00	17.0	22.50	37.00	37.00	37.00	37.00	45.00	46.65
Rice											
Basmati	35.00	32.00	38.00	46.00	62.00	90.00	90.00	52.00/a	95.00/b	110.00	110.00
IRRI 6	21.00	21.00	21.00	21.00	27.00	40.00/c	40.00/c	30.00/a	46.00/d	49.00	49.00
IRRI 8	18.50	18.50	19.50	19.50	25.00	38.00	40.00	20.50/a	38.00	38.00	38.00
Kangani	19.00	19.00	19.00	20.50	26.00	39.00	39.00	21.50/a	39.00	39.00	39.00
Cotton (Seed Cotton)											
American Varieties/e	-	-	-	-	-	-	-	125.00	138.00 to 160.00	138.00 to 160.00	138.00 to 160.00
Desi Varieties	-	-	-	-	-	-	-	120.00	132.00	134.00	134.00
Sugarcane (Factory Gate)/f											
NWFP	2.75	2.25	2.25	4.00	4.00	5.00	5.50	5.50	5.50	5.50	6.75
Punjab	2.75	2.75	2.50	4.25	4.52	5.25	5.75	5.75	5.75	5.75	7.00
Sind	2.90	2.90	2.65	4.40	4.40	5.40	5.90	5.90	5.90	5.90	7.15
Maize	-	-	-	-	-	-	-	32.00	32.00	32.00	32.00
Potato	-	-	-	-	-	-	-	25.00	25.00	25.00	25.00
Onion	-	-	-	-	-	-	-	18.00	18.00	18.00	18.00

/a Paddy prices (at millgate).
/b Rs 105 for superior grade basmati rice.
/c Rs 48 for superior grade Irri rice.
/d Rs 54 for superior grade Irri rice.
/e AC134 and BS-1.
/f 0.25 Rupees/maund lower at outstation.

Source: Ministry of Finance and Economic Affairs.

Table 8.1: INDICES OF MANUFACTURING OUTPUT, 1970/71-1979/80

(1969/70=100)

Year	Manufacturing Total	Selected Items					
		Cotton Yarn	Cotton Cloth	Cement	Cigarettes	Fertilizer	Vegetable Products
1970/71	106.2	111.2	108.5	101.7	108.0	100.3	107.8
1971/72	105.7	122.9	103.6	98.1	97.3	159.7	128.4
1972/73	115.4	137.7	97.0	108.3	123.5	201.1	148.9
1973/74	122.4	138.9	97.6	118.4	122.8	218.2	178.5
1974/75	120.5	128.6	91.7	124.9	119.9	226.8	216.2
1975/76	119.8	128.0	85.8	120.2	122.8	235.4	220.5
1976/77	117.1	103.4	67.3	116.3	126.9	231.6	256.4
1977/78	128.8	109.0	64.5	121.5	140.0	228.2	286.5
1978/79	132.7	120.0	56.0	114.0	145.5	252.4	335.7
1979/80	146.6	133.5	55.6	125.4	154.8	299.7	324.5

Note: Data through 1977/78 are averages of quarterly computations of individual indices; data for 1978/79 and 1979/80 are averages of monthly computations of individual indices.

Source: Ministry of Finance and Economic Affairs.

Table 8.2: PRODUCTION OF SELECTED INDUSTRIAL ITEMS, 1969/70-1979/80

	Unit of Quantity	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80/a
Cotton Yarn	Million Kgs.	273.2	303.8	335.7	376.1	379.5	351.2	349.7	282.6	297.9	327.8	362.9
Cotton Cloth	Million Sq. Meters	606.5	658.3	628.2	588.6	592.2	555.9	520.3	408.3	391.3	339.4	342.9
Cigarettes	Billions	22.4	24.2	21.8	27.6	27.5	26.8	27.5	28.4	31.3	32.5	34.6
Refined Sugar	Thousand Metric Tons	610.0	519.0	375.0	429.0	608.0	502.3	630.5	736.3	860.8	607.3	586.0
Vegetable Ghee	-do-	126.0	136.0	162.0	187.0	225.4	271.9	277.4	325.9	360.3	422.3	450.7
Cement	-do-	2,656	2,702	2,605	2,876	3,145	3,320	3,196	3,071	3,224	3,022	3,342.0
Fertilizers	-do-	371.6	374.8	565.0	702.6	751.8	785.1	832.9	824.2	812.7	938.2	1,176.8
Paper Board and Chip Board	-do-	36.4	40.0	34.3	37.9	35.9	27.2	21.0	21.4	22.4	49.7	49.4
Safety Matches	Million Boxes	176.0	170.2	241.1	338.6	368.3	466.8	589.6	769.0	1,136.9	1,274.0	820.1
Art Silk and Rayon Cloth	Million Sq. Meters	71.9	61.5	9.2	5.3	8.7	8.1	9.9	17.5	15.6	14.0	n.a.
Chemicals	Thousand Metric Tons	127.7	142.8	146.1	155.9	159.1	155.8	168.6	161.3	161.3	171.7	184.3
Mild Steel Products	-do-	180.0	196.1	165.5	183.9	218.1	224.0	230.7	269.6	315.3	362.4	420.4

/a Provisional.

Source: Ministry of Industries.

Table 8.3: GROSS FIXED CAPITAL FORMATION IN INDUSTRY, 1969/70-1979/80

(million rupees)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
In Current Rs. Million											
Private Large and Medium-Scale Industries	1,208.2	1,224.0	1,016.3	763.1	697.8	990.4	1,309.0	1,526.3	1,539.1	1,637.8	1,822.5
Small-Scale Industry	187.7	201.7	219.1	255.9	325.5	446.5	509.5	585.5	634.4	698.2	788.9
Public Industry	179.2	68.2	98.5	110.6	382.3	1,064.9	3,181.6	4,514.0	6,143.5	6,646.6	6,315.5
(of which Steel Mill)					(1.8)	(194.6)	(668.4)	(1,714.0)	(2,845.4)	(3,389.7)	(2,932.6)
Total	1,575.1	1,493.9	1,333.9	1,129.6	1,405.1	2,501.8	5,000.1	6,625.6	8,317.0	8,982.6	8,926.9
In Constant 1969/70 Rs Million											
Private Large and Medium-Scale Industries	1,208.2	1,038.4	699.9	313.1	231.0	182.8	344.5	369.0	347.1	479.9	456.4
Small-Scale Industry	187.7	182.5	171.0	147.6	138.5	152.3	157.1	167.4	172.5	200.9	193 8
Public Industry	179.2	57.9	64.9	45.4	115.8	279.0	837.3	1,091.6	1,385.6	1,947.4	1,581.6
Total	1,575.1	1,278.8	905.8	506.1	499.1	614.1	1,338.9	1,628.0	1,905.2	2,628.2	2,231.8

Source Ministry of Finance and Economic Affairs.

Table 8.4: GROSS FIXED CAPITAL FORMATION IN PRIVATE LARGE AND MEDIUM-SCALE INDUSTRY, 1969/70-1979/80

(million rupees)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Industrial Groups											
Food except beverages and tobacco	51.5	152.5	172.0	51.4	60.2	66.6	58.0	81.2	143.8	99.3	96.8
Beverages	5.4	1.1	1.9	1.8	4.8	4.8	1.3	2.0	3.3	7.0	-
Tobacco	17.4	20.1	14.5	7.4	5.1	18.5	1.9	9.6	5.6	35.3	48.0
Sub Total	74.3	173.7	188.4	60.6	70.1	89.9	61.2	92.8	152.7	141.6	144.8
Textiles	174.6	182.9	112.4	156.7	132.5	195.0	306.4	403.1	302.0	341.3	344.5
Footwear, wearing apparel and others	6.5	6.3	5.6	5.0	11.1	10.6	5.1	11.3	17.4	18.5	16.5
Sub Total	181.1	189.2	118.0	161.9	143.6	205.6	311.5	414.4	319.4	359.8	361.0
Wood working	6.5	0.1	-	5.0	0.3	1.5	0.3	0.1	0.2	2.3	2.9
Furniture and fixtures	0.2	1.4	0.4	0.3	4.8	9.5	21.3	1.8	0.9	0.7	0.8
Sub Total	6.7	1.5	0.4	5.3	5.1	11.0	21.6	1.9	1.1	3.0	3.7
Paper and paper products	8.3	21.9	10.1	17.4	19.8	21.0	44.5	42.1	40.4	35.1	92.6
Printing and publications	8.5	10.9	12.0	9.4	8.2	3.7	7.7	3.0	1.4	11.8	27.0
Sub Total	16.8	32.8	22.1	26.8	28.0	24.7	52.2	45.1	41.8	46.9	119.6
Leather and leather products	1.6	4.5	3.6	17.1	8.0	17.1	1.5	4.4	3.8	14.8	10.8
Rubber products	1.5	1.2	0.8	3.9	1.9	4.7	1.9	4.4	4.7	9.2	5.5
Chemicals and chemical products	34.2	60.2	37.8	37.6	51.8	59.0	58.6	133.8	107.6	145.1	144.4
Products of petroleum and coal	8.1	24.1	21.1	10.0	9.2	36.6	25.4	29.5	45.0	21.8	12.0
Non-metallic minerals	50.0	14.7	4.2	6.3	11.8	30.3	4.8	26.1	3.6	12.2	4.6
Basic metal industries	24.1	17.1	5.0	1.5	3.0	2.9	1.8	8.5	5.9	0.6	0.4
Metal products	18.6	12.1	7.7	11.5	11.1	13.7	16.4	14.8	14.6	10.5	14.4
Sub Total	42.7	29.2	12.7	13.0	14.1	16.6	18.2	23.3	20.5	214.2	242.1
Machinery	20.9	21.3	8.5	12.8	28.1	14.4	16.0	15.8	54.8	23.1	29.9
Electrical machinery and appliances	8.3	31.3	12.9	10.3	22.8	27.4	13.3	27.1	39.9	35.4	24.7
Sub Total	29.2	52.6	21.4	23.1	50.9	41.8	29.3	42.9	94.7	58.5	54.6
Transport equipment	11.5	19.8	7.8	7.4	2.3	0.9	10.3	18.3	4.8	11.1	8.3
Miscellaneous industries	9.0	11.6	13.6	15.3	17.0	17.0	15.7	18.6	21.9	26.4	5.1
Total in production	466.6	615.1	457.2	383.3	411.7	555.2	621.2	855.5	821.6	866.5	950.8
Under construction	758.9	634.5	574.4	389.9	299.2	457.2	707.0	688.6	731.6	785.3	898.2
Total	1,225.5	1,249.6	1,031.6	774.2	710.9	1,013.0	1,328.2	1,544.1	1,553.2	1,651.8	1,849.0
Total excluding cost of land and residential holdings	1,208.2	1,224.0	1,016.3	763.1	697.8	990.4	1,309.0	1,526.3	1,539.1	1,616.6	n.a.

Source: Ministry of Finance and Economic Affairs.

Table 8.4: GROSS FIXED CAPITAL FORMATION IN PRIVATE LARGE AND MEDIUM-SCALE INDUSTRY, 1969/70-1979/80

(million rupees)

	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Industrial Groups											
Food except beverages and tobacco	51.5	152.5	172.0	51.4	60.2	66.6	58.0	81.2	143.8	99.3	96.8
Beverages	5.4	1.1	1.9	1.8	4.8	4.8	1.3	2.0	3.3	7.0	-
Tobacco	17.4	20.1	14.5	7.4	5.1	18.5	1.9	9.6	5.6	35.3	48.0
Sub Total	74.3	173.7	188.4	60.6	70.1	89.9	61.2	92.8	152.7	141.6	144.8
Textiles	174.6	182.9	112.4	156.7	132.5	195.0	306.4	403.1	302.0	341.3	344.5
Footwear, wearing apparel and others	6.5	6.3	5.6	5.0	11.1	10.6	5.1	11.3	17.4	18.5	16.5
Sub Total	181.1	189.2	118.0	161.9	143.6	205.6	311.5	414.4	319.4	359.8	361.0
Wood working	6.5	0.1	-	5.0	0.3	1.5	0.3	0.1	0.2	2.3	2.9
Furniture and fixtures	0.2	1.4	0.4	0.3	4.8	9.5	21.3	1.8	0.9	0.7	0.8
Sub Total	6.7	1.5	0.4	5.3	5.1	11.0	21.6	1.9	1.1	3.0	3.7
Paper and paper products	8.3	21.9	10.1	17.4	19.8	21.0	44.5	42.1	40.4	35.1	92.6
Printing and publications	8.5	10.9	12.0	9.4	8.2	3.7	7.7	3.0	1.4	11.8	27.0
Sub Total	16.8	32.8	22.1	26.8	28.0	24.7	52.2	45.1	41.8	46.9	119.6
Leather and leather products	1.6	4.5	3.6	17.1	8.0	17.1	1.5	4.4	3.8	14.8	10.8
Rubber products	1.5	1.2	0.8	3.9	1.9	4.7	1.9	4.4	4.7	9.2	5.5
Chemicals and chemical products	34.2	60.2	37.8	37.6	51.8	59.0	58.6	133.8	107.6	145.1	144.4
Products of petroleum and coal	8.1	24.1	21.1	10.0	9.2	36.6	25.4	29.5	45.0	21.8	12.0
Non-metallic minerals	50.0	14.7	4.2	6.3	11.8	30.3	4.8	26.1	3.6	12.2	4.6
Basic metal industries	24.1	17.1	5.0	1.5	3.0	2.9	1.8	8.5	5.9	0.6	0.4
Metal products	18.6	12.1	7.7	11.5	11.1	13.7	16.4	14.8	14.6	10.5	14.4
Sub Total	42.7	29.2	12.7	13.0	14.1	16.6	18.2	23.3	20.5	214.2	242.1
Machinery	20.9	21.3	8.5	12.8	28.1	14.4	16.0	15.8	54.8	23.1	29.9
Electrical machinery and appliances	8.3	31.3	12.9	10.3	22.8	27.4	13.3	27.1	39.9	35.4	24.7
Sub Total	29.2	52.6	21.4	23.1	50.9	41.8	29.3	42.9	94.7	58.5	54.6
Transport equipment	11.5	19.8	7.8	7.4	2.3	0.9	10.3	18.3	4.8	11.1	8.3
Miscellaneous industries	9.0	11.6	13.6	15.3	17.0	17.0	15.7	18.6	21.9	26.4	5.1
Total in production	466.6	615.1	457.2	383.3	411.7	555.2	621.2	855.5	821.6	866.5	950.8
Under construction	758.9	634.5	574.4	389.9	299.2	457.2	707.0	688.6	731.6	785.3	898.2
Total	1,225.5	1,249.6	1,031.6	774.2	710.9	1,013.0	1,328.2	1,544.1	1,553.2	1,651.8	1,849.0
Total excluding cost of land and residential holdings	1,208.2	1,224.0	1,016.3	763.1	697.8	990.4	1,309.0	1,526.3	1,539.1	1,616.6	n.a.

Source: Ministry of Finance and Economic Affairs.

Table 9.1: WHOLESALE PRICE INDEX NUMBERS, 1970/71-1979/80

(1969/70=100)

Period	General	Food	Raw Materials	Fuel, Lighting and Lubricants	Manufactures
1970/71	106.2	106.7	109.0	104.0	104.2
1971/72	111.1	112.4	110.5	121.2	107.0
1972/73	128.7	129.8	139.2	125.7	122.1
1973/74	170.9	176.2	177.8	173.4	156.7
1974/75	211.3	226.7	198.9	236.2	182.1
1975/76	229.4	241.3	228.0	256.9	201.4
1976/77	255.3	268.6	254.5	269.5	227.0
1977/78	271.4	290.3	269.7	271.8	235.6
1978/79	289.7	302.1	310.0	312.3	251.5
1979/80	316.7	316.5	320.4	467.9	284.2
1979 July	314.4	326.5	319.5	402.1	270.2
August	317.6	333.0	314.2	392.6	273.9
September	308.6	315.6	312.2	392.5	276.0
October	308.8	313.2	318.7	392.5	278.4
November	304.2	306.5	312.8	392.6	277.6
December	306.9	309.4	320.9	393.0	277.5
1980 January	317.2	313.6	322.4	527.9	278.2
February	317.0	310.5	323.2	527.8	283.2
March	323.1	314.5	323.7	527.8	297.3
April	324.6	314.9	328.4	527.8	299.7
May	325.5	317.3	325.8	530.2	299.0
June	332.9	323.3	323.6	607.6	299.2

Source: Ministry of Finance and Economic Affairs.

Table 9.2: INDEX NUMBERS OF WHOLESALE PRICES BY COMMODITIES, 1970/71-1979/80

(1969/70=100)

Commodity	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Rice	99.2	104.2	156.8	195.9	224.6	247.2	280.5	318.4	287.2	304.7
Wheat	104.2	118.5	121.9	151.1	232.2	226.2	222.3	255.0	281.0	291.9
Gram	70.9	74.7	102.9	121.4	152.8	143.0	148.7	246.6	206.3	227.6
Vegetable ghee	109.9	111.5	110.9	138.3	181.0	207.2	207.3	207.9	213.3	228.9
Sugar (refined)	100.0	96.9	127.8	178.6	220.9	244.6	244.6	244.6	244.6	264.2
Spices and salt	113.0	122.1	120.6	157.0	334.9	276.2	364.9	391.8	398.4	350.5
Cotton	122.7	134.0	162.2	234.7	209.0	251.8	321.8	369.6	448.1	402.5
Wool	95.9	92.1	145.0	203.6	186.1	216.1	271.0	247.1	300.0	320.7
Hair	102.4	88.2	93.5	104.4	108.6	113.5	171.1	179.3	157.9	138.0
Hides	89.5	103.9	182.0	239.3	250.4	219.6	249.9	247.5	290.8	339.2
Skins	111.7	134.3	322.8	333.3	289.3	371.0	413.2	376.4	633.5	771.1
Oil seeds	115.1	99.0	103.8	150.3	200.5	213.8	173.6	185.4	261.1	313.0
Tobacco	104.7	114.4	115.4	134.4	254.5	259.8	282.8	309.5	345.6	387.1
Cotton yarn	98.9	106.0	167.8	189.1	153.1	174.3	253.5	246.5	281.9	287.7
Cotton manufactures	103.6	108.1	116.4	190.8	221.4	231.8	271.5	294.6	291.5	306.1
Tobacco products	122.0	138.5	142.7	158.9	250.6	293.9	320.4	363.9	405.9	457.8
General	106.2	111.1	128.7	170.9	211.3	229.4	255.3	271.4	289.7	316.7

Source: Ministry of Finance and Economic Affairs.

Table 9.3: CONSUMER PRICE INDEX NUMBERS, 1969/70-1979/80

(1969/70=100)

	Income Groups/a					
	All Income Groups		Up to Rs 300 Per Month		Above Rs 1,000 Per Month	
	General	Food/b	General	Food/b	General	Food/b
1969/70	100.0	100.0	100.0	100.0	100.0	100.0
1970/71	105.7	106.0	106.2	106.8	105.0	115.1
1971/72	110.7	109.6	110.6	109.7	110.3	113.7
1972/73	121.4	121.2	120.7	121.4	120.3	136.0
1973/74	157.8	163.3	159.4	163.5	154.1	165.9
1974/75	200.0	206.7	201.1	206.5	192.8	210.3
1975/76	223.3	231.6	225.5	231.4	219.5	232.6
1976/77	243.9	255.3	246.7	254.5	239.1	257.3
1977/78	259.9	270.7	263.0	269.5	259.5	274.1
1978/79	282.5	288.7	284.6	286.1	279.7	295.1
1979/80	311.8	311.6	315.3	313.0	312.7	319.0
1979 July	308.4	318.1	312.4	319.3	306.2	323.1
August	310.5	318.3	315.4	320.4	306.6	321.2
September	309.9	315.4	314.8	317.6	306.5	318.4
October	310.9	315.6	315.9	318.1	307.8	318.9
November	304.3	301.6	308.8	308.9	308.7	307.3
December	303.3	299.4	307.2	300.7	303.2	304.5
1980 January	307.8	301.0	310.7	301.1	311.4	308.4
February	310.7	305.8	313.9	305.9	313.7	313.2
March	315.2	313.2	318.0	312.3	317.6	321.1
April	320.8	320.0	323.0	318.2	324.2	331.6
May	317.9	314.3	319.6	316.0	324.4	328.5
June	322.4	316.7	324.3	315.8	327.6	328.5

/a Combined indices of industrial, commercial and government employees.
/b Food, beverages and tobacco.

Source: Ministry of Finance and Economic Affairs.